4TH ANNIVERSARY ISSUE

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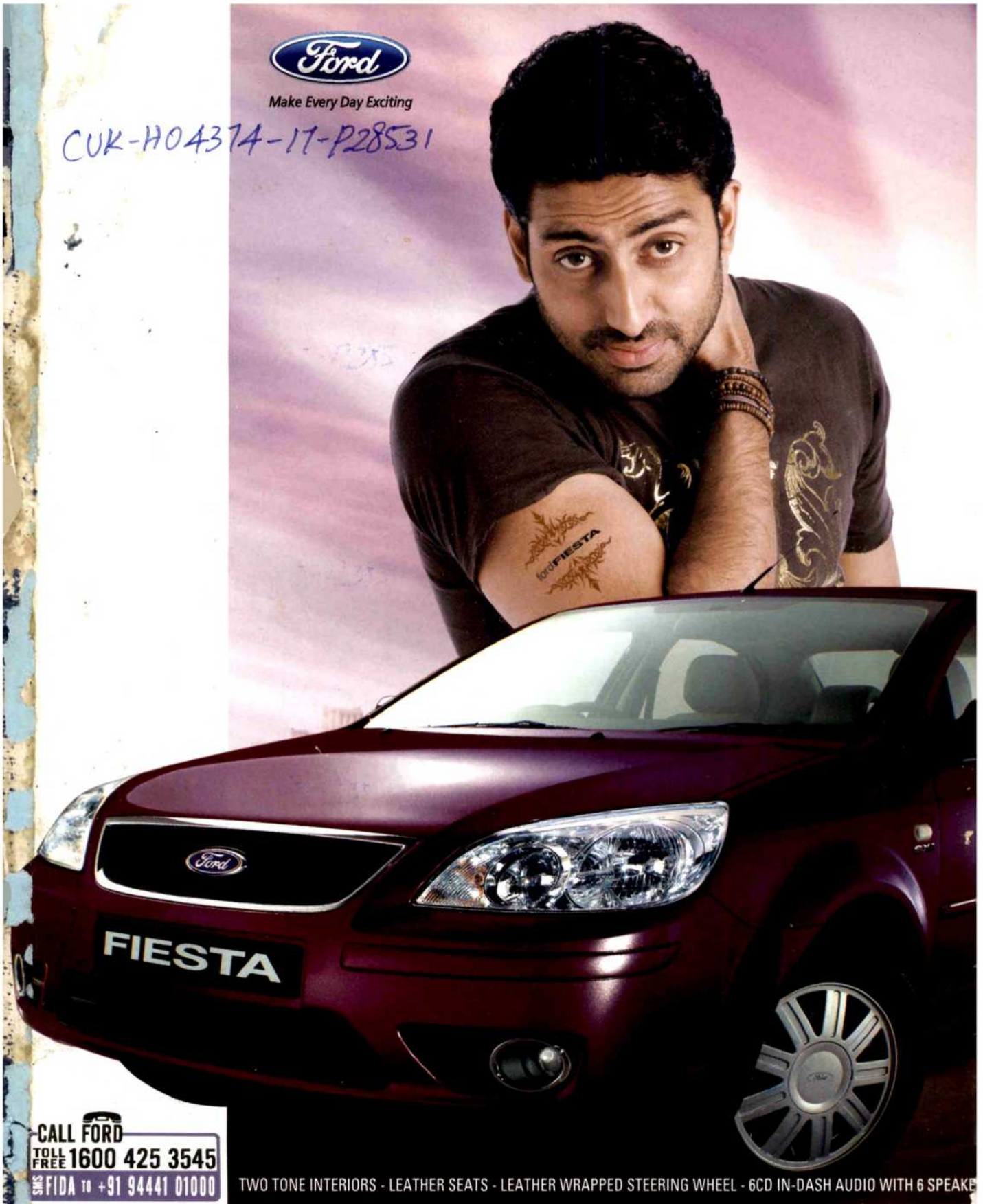

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From The Editor-in-chief

THERE IS A NEW BUZZ ABOUT INDIA IN THE international business community. It is rapidly emerging as a preferred destination for foreign investors. FII inflows have reached a new high by crossing the $10 billion mark in 2005. FDI, too, has been one of the highest in recent years, with an inflow of $2.9 billion (April-September 2005). India is considered as one of the fastest growing economies of the world. The stock market shows no sign of stopping as it reaches new heights. A consumer boom is upon us as corporates clock in respectable profits. Property prices are going through the roof. On all counts, we seemed to have got the world's attention and the economy is doing well on most parameters.

But all this good news sometimes masks some of our hard realities and a deeper malaise. Our infrastructure deficit is gigantic. India's Prime Minister Manmohan Singh has gone on record that the country needs to spend $150 billion over the next 10 years to get its infrastructure up to acceptable levels. Indian companies pay thrice as much for power as their competitors in China, yet suffer more outages. About 150 million Indian households do not have electricity. Some 100 million families live without water at home. According to an estimate by the Confederation of Indian Industry, it is cheaper to import steel from Europe to Mumbai than to transport it from Jamshedpur. The country's literacy rate is an unimpressive 61 per cent and probably that high because it is near total in large cities. And the benefits of the telecommunication and computing revolution that has taken urban India by storm over the past five years is all but lost to almost 80 per cent of the country's 1.2 billion people.

There are other such statistics, most of which serve only to dispel the notion that India is on the way to becoming the economic, intellectual and cultural powerhouse that we all believe it is. At the level of the household-economy, for instance, only around nine out of every 1,000 Indians drive, or are driven around, in a car. At the intellectual plane, only four Indians have ever won Nobel Prizes. In the area of culture, no Indian film has ever won an Oscar (and this in a country that churns out 1,200 motion pictures a year). And no Indian has ever won an Olympic Gold.

In other words, India is one Big challenge. But these challenges can be met. It may take some doing to pipe electricity to all of India's villages, but it is possible to do so. Which is why this anniversary issue of *Business Today*, the 14th in a series of anniversary

issues, is dedicated to the theme of understanding w it will take to achieve every one of these objecti from an Olympic Gold to universal healthcare; fr a Physics Nobel to cars for all; and from an Osca a teledensity of 100. Over the next 200 pages so, some of the finest Indian minds in the wo will set out their own blueprint for achieving th goals that were once considered impossible.

It is heartening that most of these visionaries from the world of business. It has always been belief that Big Business will eventually get aroun addressing some of humanity's seemingly ins mountable problems. Charity isn't a sound busi model, but development is. And in this, the 2 century, profit no longer comes with innuendo exploitation. Some of the suggestions you encounter in these pages are radical. Others delightfully simple. It is our hope that reading th will encourage you to come up with solution your own for such, or other problems.

Here's wishing you a happy, prosperous and p ductive new year. May the good times roll for al

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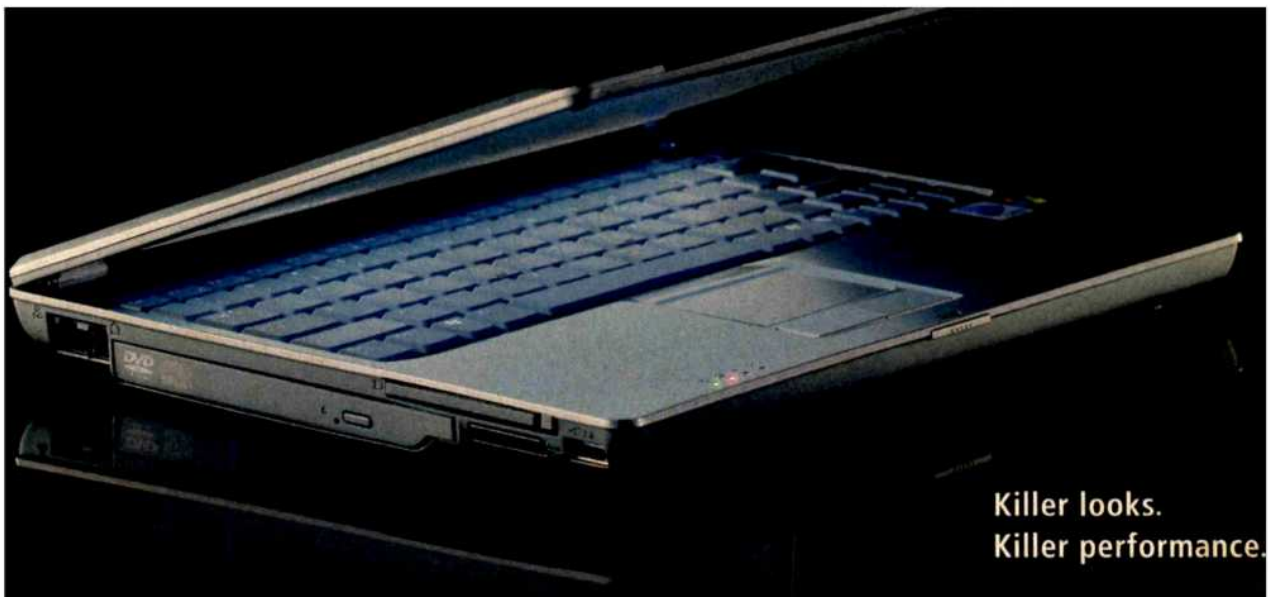

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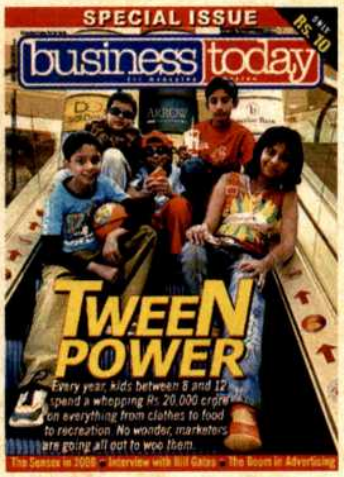

New Age Marketing

The cover story on *Tween Power* (*BT*, January 1, 2006) focusses on many aspects of marketing. Marketing pundits are now increasingly pushed to create new segments, slicing groups by age. On another note, I was pained by your classification of tweens as brash, spoilt, traditionalist at heart, who may not go to successful courses. At a time when we are focussing on new age education, what's the point in dividing kids into damning groups?

MAHESH KAPASI, NEW DELHI

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The cover story *Tween Power* (*BT*, January 1, 2006) was quite interesting and something I could relate to very well. I have two daughters, aged nine and 11, who refuse to wear anything that is not branded. I guess ads have a lot to do, in fact, they have everything to do, with today's brand-conscious kids. It came as bit of a shock to learn that the tween market in India is worth Rs 20,000 crore. That's some figure. No wonder, most ads are targeted at these so-called 'tweens'.

SAMEENA KHAN, BHOPAL

Marketing Puzzle

The cover story *Tween Power* (*BT*, January 1, 2006) tells that the present time belongs to the young. With revolution brewing in the world of communications—internet and computers et al—the older generation is falling behind. It is interesting to watch how much hold the older lot will have on the world of marketing. Marketing wizards will have to target this segment with specialised products. That leaves us with bread-earners, who too are on a splurging mood.

BIMAL GUHA, KOLKATA

Spoilt By Service

In the context of your story *Spoilt For Choice* (*BT*, January 1, 2006), I would say "if you throw peanuts, you get monkeys". My experience with no-frills airlines has not been good. At one time, a particular airline did not allocate seats, so everybody was literally running to get the best seats. Another time, my baggage got lost and the ground staff appeared hassled. So, the service you get is equivalent to what you pay.

VISHAL GROVER, GWALIOR

Charity Begins At Home

BT 60 Minutes (January 1, 2006) with Bill Gates gives an insight into the world's richest and possibly the most philanthropic man. Business and charity are two different worlds. But Gates has shown that the two can be juxtaposed. If Indian Inc. follows Gates model of giving back to the world part of their profits in a way that it makes a difference, it will not take us long to be in the league of developed nations. But then again, we have to first ensure that the money doesn't get siphoned off by middlemen!

RAUNAQ SHAH, NEW DELHI

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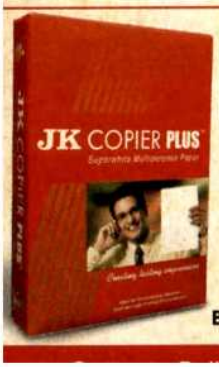

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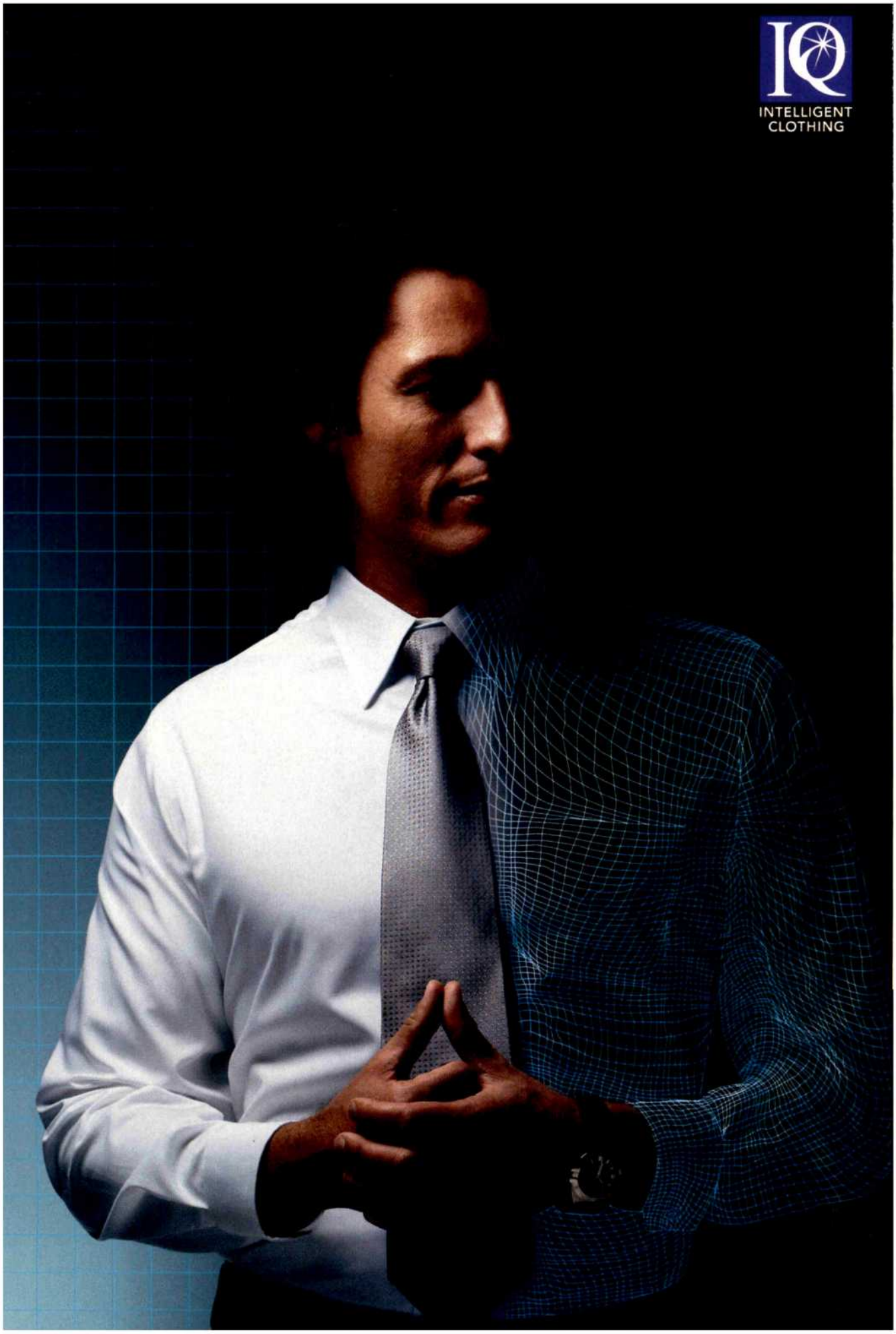
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PARTY THREADS

Stylish, informal tweed jacket in tartan check and Scottish weave.

Three Men And A New Year

Our choice of business leaders of 2005, and the behind-the-scenes story.

THE THREE COMPANIES THAT ARE CLUBBED together as the Indian IT industry's Tier I, TCS, Infosys and Wipro— strangely enough, there's a certain phonetic cadence to their names when strung together, irrespective of the order in which the companies are taken—are around the same size in terms of revenues (give or take a few hundred million dollars here and there), number of employees (again, give or take a few thousand here and there), and nature of business (overlooking obvious differences related to the type of contracts they prefer, or their revenues from specific industry-segments). Why, even the men who head these companies are of similar vintage: TCS CEO S. Ramadorai, turned 60 in October 2004; Wipro Chairman Azim Premji reached the milestone in July 2005; and Infosys Chairman N.R. Narayana Murthy will do so in August this year.

The similarities, though, while interesting enough to find mention here, are not why this magazine believes the three men feature here. If Messrs Premji, Murthy and Ramadorai were the business leaders of 2005—it seems unnecessary to mention here that this is an opinion and that readers are free to buy into it, trash it, or even write to us with alternative names if they have the energy to do so—it is because each did something in the course of the year that set a trend or highlighted one, reflected the changing face of India Inc. or served as a stark pointer to the fact that *plus ça change, plus c'est la même chose* (the more things change...), or simply proved why they are as different as they are from their peers.

Murthy, first. In 2005, he took on a politician, former Prime Minister and Janata Dal (S) leader H.D. Deve Gowda, just as in 2004, he had taken on another, then HRD Minister Murli Manohar Joshi. He tried to do his bit to revive Bangalore's crumbling infrastructure (he failed), resigned from the stewardship of Bangalore International Airport Limited (BIAL) when Gowda alleged that he had done nothing for the company, and articulated (as he had a few years ago), his half-desire to be India's ambassador to the United States. And, in a year when some people in Bangalore started calling him the new Mahatma—this was in the wake of the spat with Gowda and the term was used part derisively, part respectfully—Murthy confirmed that he would step down as Executive Chairman of Infosys Technologies come August 2006 (when he turns 60). Renunciation has never come easily to India's CEOs. Earlier last year, Tata Sons revised an earlier norm about its non-Executive Directors relinquishing their position when they turned 70, and introduced a new one that put the ceiling at 75. That will allow Ratan Tata to continue as Chairman until December 2012.

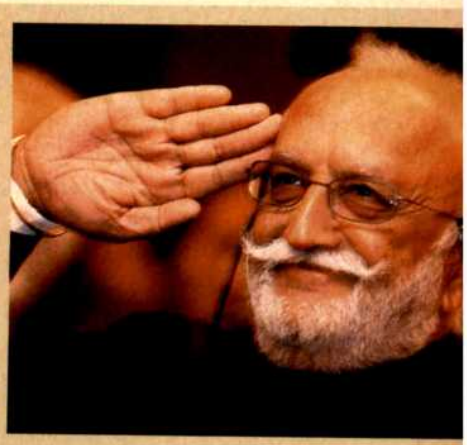
Ramadorai, next. The last year began badly for TCS (its January-March 2005 financial results didn't look good), but the company recovered quickly. More importantly, in September, the company struck a blow for all of the Indian IT industry when it bagged a $260-million (Rs 1,170-crore) deal from Dutch bank ABN AMRO for application

development and maintenance (ADM, the thing that accounts for the bulk of the revenues of almost all Indian IT services firms). Infosys Technologies, too, grabbed a $140-million (Rs 630-crore) piece of the overall deal valued at $1.8 billion (Rs 8,100 crore). In the normal scheme of things, a customer with $1.8 billion worth of business up for outsourcing (the amount includes hardware and infrastructure too) would have picked a large vendor such as IBM, who would have then shopped out smaller pieces to other vendors, some of whom would have been Indian firms. This deal, then, signifies many things: the creation of space at the high-table for Indian firms; the ability of these firms to play with the big boys such as IBM and Accenture; and a growing belief among customers that there is wisdom in breaking a large deal into several mid-sized ones.

Ramadorai, Premji & Narayana Murthy are all trendsetters

Premji, last. In a year when his personal holding in Wipro decreased by some 2 percentage points to around 82 per cent, the man bid adieu to his most high-profile lieutenant, Vice Chairman Vivek Paul. Claiming he had always been "hands-on", Premji set about re-shaping Wipro and the buzz is, this year could see the company make a really big acquisition. In many ways, though, the promoter-manager, professional-manager clash in one the country's most competitive companies (and in one that is engaged in the relatively new-age business of Information Technology) is indicative of India Inc.'s heritage. Most companies continue to be owned or controlled by promoter-families.

The Adventurer



THE THING ABOUT PEOPLE SUCH AS **Vijaypat Singhania**, Chairman Emeritus, Raymond Group, Hon. Air Commodore, Indian Air Force, aviator, writer, film-maker, is that there is always something else waiting to be done, another record waiting to be broken. "It has been my obsession," says the man simply, of his record-breaking ascent to 69,852 feet in a hot-air balloon (in late 2005). 70K next.*Abona Ghosh*

Alive, He Cried

FOR A FEW MONTHS IN 2005, EVERYone was talking about Sahara Supremo **Subrata Roy's** illness, even his alleged death. Then, the man made it to the front page of a daily, proclaiming his health and performing feats of strength and endurance. His public appearances since have been infrequent, but calculated. *Krishna Gopalan*

Gotcha

FORMER VOLKSWAGEN EXEC HELMUT **Schuster** had the perfect caper: set up a company in India, convince a state government to invest money in return for a plant in that state and siphon off the funds. Andhra Pradesh, to its embarrassment, took the bait. *KG*

VC-turned-VC

THAT'S VICE CHAIRMAN TURNED venture capitalist, and after six years with Wipro, helping the company achieve an image that was finally in keeping with its business, GE-alum **Vivek Paul** left the company, ostensibly because he wanted to try his hand at being a venture capitalist. Now a partner at Texas Pacific Group, Paul says he is "truly excited about what lies ahead". *AG*

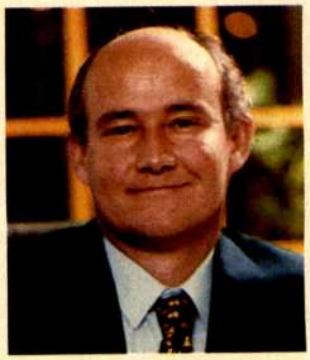
Take A Bow

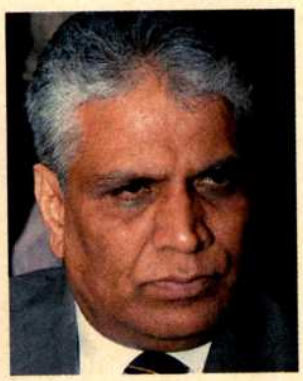
LAST YEAR, WARBURG PINCUS SOLD ITS remaining stake in Bharti Tele-Ventures, 5.65 per cent, to Vodafone. On an investment of $300 million or Rs 1,350 crore (the investor had, at one time, an 18 per cent stake in the telco), Warburg made around $1.6 billion (Rs 7,200 crore). Head **Rajesh Khanna** should take a bow. *Krishna Gopalan*

KALYAN CHAKRAVORTY

The Saheb Returns

AFTER 50 YEARS, HINDUSTAN LEVER Limited, India's largest consumer products firm, got an expatriate, **Douglas Baillie**, as CEO. Now in charge of the company's operations in Turkey, Baillie will take over in March. Although the company hasn't said so, the change may have been necessitated by HLL's recent performance. *Ahona Ghosh*





Equal Opp. Employer?

EVEN IF HE IS NOT GUILTY OF casteist remarks, as alleged by a Scheduled Caste employee B.M. Ramteke, IDBI Chairman **V.P. Shetty** deserves a mention here for being perhaps the first Indian corporate head to realise that whiffs of casteism can, much like those of sexual harassment, be used to settle intra-corporate scores. *AG*

Dealmaker's Deal

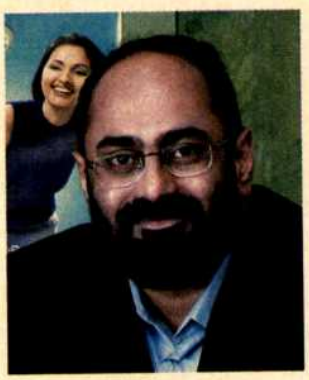
ONE OF INDIA'S BEST-KNOWN DEALmakers, **Hemendra Kothari** struck the deal of a lifetime when he agreed to sell his 47.73 per cent stake in DSP Merrill Lynch for $500 million (Rs 2,250 crore) to Merrill Lynch. "When I started business, my objective was to be a leading financial house," says Kothari who has done just that. *KG*

The Real Thing

IS HE GUILTY? WAS HE FRAMED? The jury is out on that one, but fact is, **Salil Chaturvedi**, the promoter of Provogue, a fashion brand, was arrested under the Narcotic Drugs and Psychotropic Substances (Prevention) Act in August after a former employee seemingly ratted on him. He spent 34 days in custody. *AG*

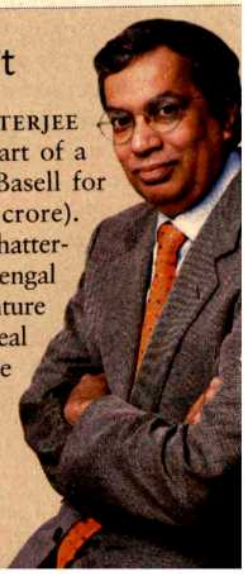
Vroom!

THE BUZZ IS, SOON AFTER HE SOLD his 64 per cent stake in BPL Communications to Essar, **Rajeev Chandrasekhar** went out and splurged on a Lamborghini (he is fond of fast cars and big bikes). Now, the former Intel employee, who nets around Rs 1,000 crore from the deal, is looking for new investment opportunities. *KG*



The Deal That Wasn't

FIRST, PURNENDU CHATTERJEE announced that he was part of a consortium taking over Basell for $5.7 billion (Rs 25,650 crore). That was contingent on Chatterjee buying out the West Bengal government from joint venture Haldia Petrochemicals, a deal that went awry. So did the Basell deal. *KG*



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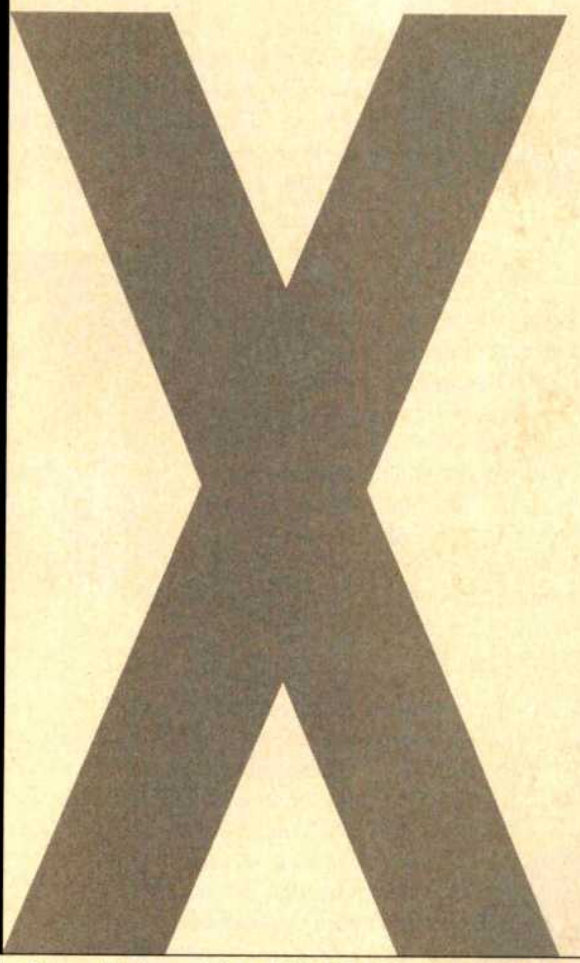

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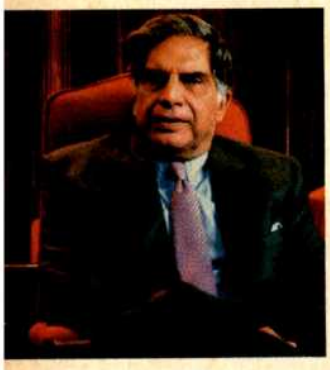
Deals flew thick and fast throughout last year. While some CEOs snapped up companies locally, others crossed borders to make deals. According to Deloitte Touche, deal value topped $18 billion—more than double that of 2004.

Shaw Wallace In His Bag

TWENTY YEARS AFTER HIS GROUP FIRST BID FOR it, UB Group Chairman **Vijay Mallya** scooped up the Chhabria family-owned Shaw Wallace for Rs 1,300 crore. The deal catapulted Mallya to the #2 position in the global spirits stack-up, with annual sales of about 60 million cases (Diageo leads with 91 million cases), domestic market share of 60 per cent and access to whisky brands such as Royal Challenge and Director's Special. *Mahesh Nayak*



Firing On All Cylinders

RATAN TATA'S TATA GROUP WAS ON AN M&A overdrive last year, with six group companies in industries ranging from steel to software to hospitality to auto, making eight overseas acquisitions. Tata Steel snagged a 40 per cent stake in Thailand's Millennium Steel, TCS acquired Chile's Comicrom, Tata Motors purchased Hispano Carrocera, and Indian Hotels snapped up New York's landmark hotel, the Pierre, and the W in Sydney. *MN*

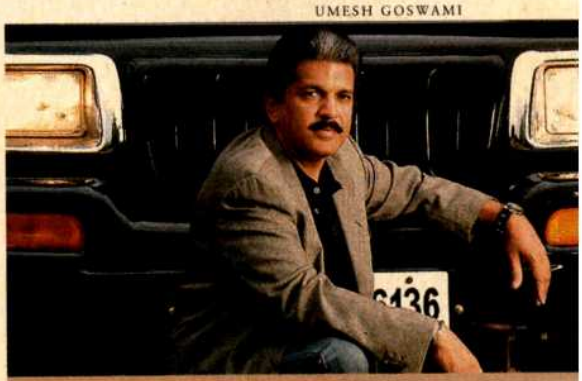
The Big Picture

FROM RS 7,500 CRORE TO RS 17,500 CRORE a year. And all that it took Videocon Group's **Venugopal Dhoot** was just 10 days and two key acquisitions. On June 28, Dhoot bought Thomson SA's colour picture tube business in China, Poland and Mexico, and on July 7, acquired AB Electrolux's India operations (Electrolux Kelvinator). An Indian Samsung in the making? *Anand Adhikari*

The Rise Of The Steel Czar

ALL HAIL **LAKSHMI NIWAS MITTAL.** THE STEEL TRADER FROM Kolkata emerged as the world's #1 steel producer last year by gobbling up Wilbur Ross' ISG for a record $17.8 billion. Mittal Steel now boasts of $31.5 billion in revenues, 70 million tonnes of steel capacity and presence in more than a dozen countries. The deal also made Mittal, 55, not just the richest Indian but the third richest in the world with a networth of $25 billion. *AA*

UMESH GOSWAMI



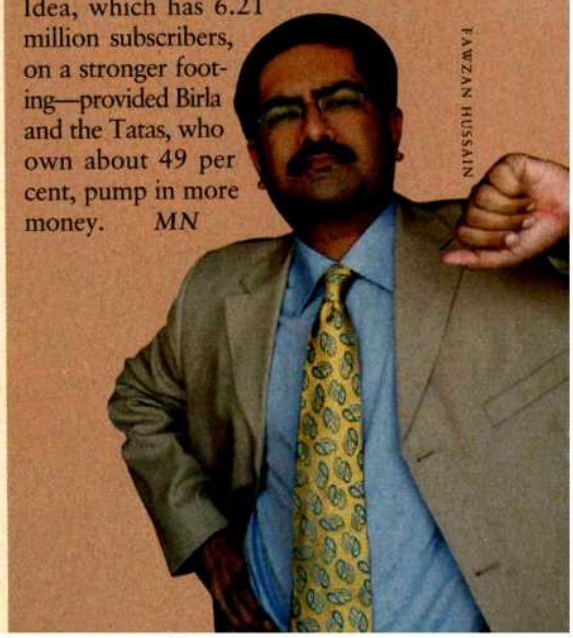
Driving Across The Globe

THOSE WHO THOUGHT MAHINDRA & MAHINdra's **Anand Mahindra**, 50, would stop to catch his breath after acquiring the tractor business of China's Jiangling Motor Company late 2004, were dead wrong. Last year, he signed a JV with Renault to launch its sedan Logan, followed by another such deal with the US-based International Truck & Engine Corp. to make trucks and buses. Plus, Mahindra bought an 88 per cent stake in Plexion Technologies (India), a computer-aided engineering services firm. *AA*

Ringing In Change

FINALLY, LAST YEAR, **KUMAR MANGALAM Birla** gained control of Idea Cellular by purchasing another 17 per cent for $150 million, raising the Aditya Birla group's stake to 50.15 per cent. That should put Idea, which has 6.21 million subscribers, on a stronger footing—provided Birla and the Tatas, who own about 49 per cent, pump in more money. *MN*

FAWZAN HUSSAIN



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A Man Of His Own

FOLLOWING A BITTER SPLIT WITH HIS elder brother Mukesh, **Anil Ambani** seemed to be in a hurry to expand his telecom-power-financial services empire. In July, the 46-year-old bought Manmohan Shetty's Adlabs Films for more than Rs 350 crore, marking his foray into Bollywood. Subsequently, he acquired AMP Sanmar Life Insurance for an undisclosed amount, besides a mid-sized Spanco Telesystem. Now, the Rajya Sabha MP is said to be the frontrunner for UTI Securities. *AA*

West Side View

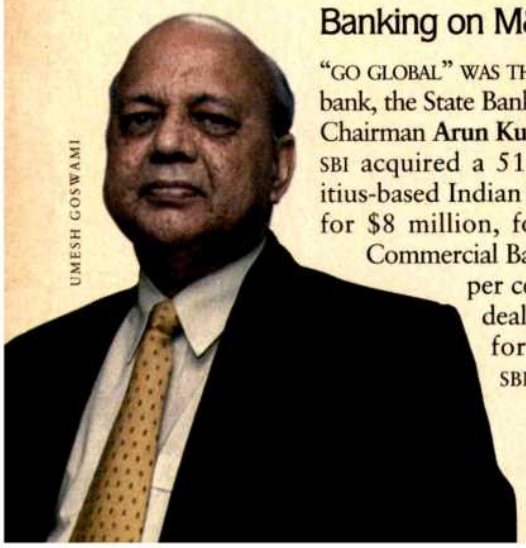
HE MAY BE BILLED AS THE FUTURE Chairman of the Tata Group, but for now **Noel Tata** is busy expanding his retail empire. Last year, he paid Rs 103.60 crore to acquire Chennai-based, privately-owned books and music retailer, Landmark. Son of Naval and Simone Tata, Noel is also said to be on the look out for a food retail chain, among others. *Anand Adhikari*

Forging Ahead

BETWEEN JUNE AND DECEMBER, BHARAT Forge's **Baba Kalyani** struck three big deals. The first two were for acquisition of Federal Forging of US (for an estimated Rs 39.58 crore) and Imatra Forging Group (Rs 240 crore). The third was for a joint venture with China's FAW Corporation, gaining access to key vehicle manufacturers in the country. *Mahesh Nayak*

Riding On Dunlop

HE BEAT A CLUTCH OF BIGGER RIVALS TO walk away with Dunlop Tyres, besides Falcon and India Rubber Tyres. But the Kolkata-based **Pawan Kumar Ruia** now has to prove that he can turn around the ailing Dunlop, for which he paid Rs 200 crore and may need a matching sum for modernisation. Some, however, expect Dunlop to be Ruia's nemesis. *MN*



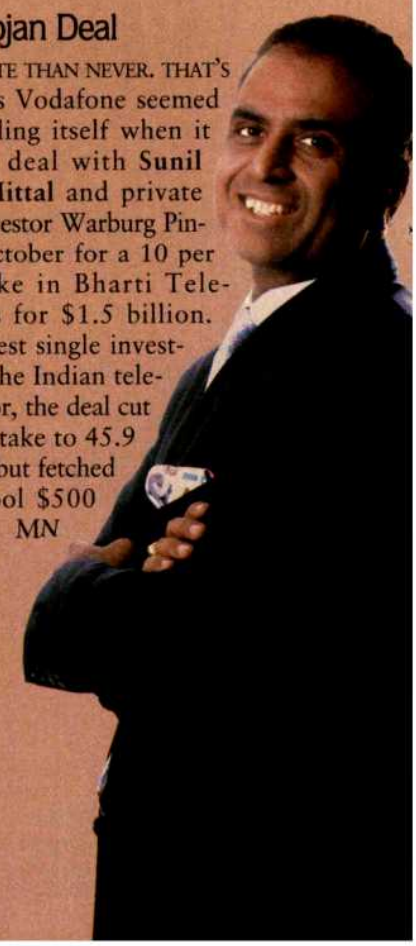
UMESH GOSWAMI

Banking on M&A

"GO GLOBAL" WAS THE MANTRA AT INDIA'S BIGGEST bank, the State Bank of India, and driving it was Chairman **Arun Kumar Purwar**. Early last year, SBI acquired a 51 per cent stake in Mauritius-based Indian Ocean International Bank for $8 million, followed by Kenya's Giro Commercial Bank, where SBI picked up 76 per cent for $7 million. Modest deals to be sure, but significant for what they reveal about SBI's new mindset. *AA*

The Trojan Deal

BETTER LATE THAN NEVER. THAT'S what UK's Vodafone seemed to be telling itself when it struck a deal with **Sunil Bharti Mittal** and private equity investor Warburg Pincus in October for a 10 per cent stake in Bharti Tele-Ventures for $1.5 billion. The biggest single investment in the Indian telecom sector, the deal cut Mittal's stake to 45.9 per cent, but fetched him a cool $500 million. *MN*



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Could a year pass without India Inc. throwing up its share of fisticuffs? Of course, not. But what's interesting about last year's rows is that—at least in two cases—suits rubbed against *khadi kurtas* and sparks flew.

Oops, Wrong Number

AN EMBATTLED, BUT FEISTY, **BHUPENDRA KUMAR MODI** WENT ALL OUT TO thwart an unsolicited bid from the **Shashi Ruia**-led Essar group for Spice Telecom. Ruia tried to outsmart Modi by approaching his foreign partners—Distacom, AIG and Darby—that owned more than three-fourths of Spice, but Modi struck back at Essar with force strong enough to make them abandon pursuit. (It helped that the Ruias were simultaneously cooking a bigger deal with Rajeev Chandrasekhar's BPL.) In October, Modi bought out Distacom, proving once again that at 56 he had not lost any of his punch. *Sahad P.V.*

Good CEO, Bad PSU

LAST YEAR, WHEN HIS POLITICAL BOSS, **Mani Shankar Aiyar**, tried to foist more government nominees on the board of ONGC, Chairman **Subir Raha**, 57, went on a warpath, forcing Aiyar to back down. Uncharacteristically, the minister fumbled for words, saying that Raha was a good man, but his company was not doing a good job. *S P.V.*

Utterly Bitterly Battle

APPARENTLY, AMUL'S VERGHESE KURIEN DID too good a job of training his protégé-turned-bete-noire, **Amrita Patel**, Chairman of NDDB. The two-year-old fight between the two continued to rage most of this year, and seemed set to intensify with Patel announcing that her cooperative would enter Gujarat, thus challenging Kurien, 84, in his own bastion. *AS*

Out Of Favour

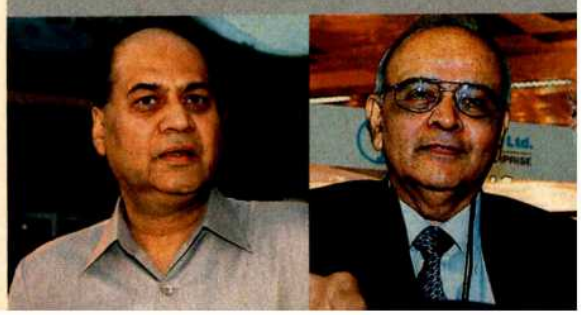
NRI INDUSTRIALIST AND THE BLUE-EYED SON of West Bengal, **Purnendu Chatterjee**, found himself out of favour with powers that be at Writer's Buildings. The **Buddhadeb Bhattacharjee** government sold 7.5 per cent stake in Chatterjee-controlled Haldia Petrochemicals to Indian Oil, leading to a public fight between the two. Late November, the state agreed to sell its 36 per cent stake to Chatterjee, raising hopes of a truce. *Archna Shukla*

All For A Name

MATTERS BETWEEN COUSINS **RAHUL BAJAJ** and **Abhay Firodia** came to a head over renaming of Bajaj Tempo as Force Motors. The Firodias, despite owning a smaller 11 per cent, managed to get the shareholder nod for the new name, but Bajaj (who owns 24 per cent) challenged the decision in the courts. At year end, the case was sub-judice. *AS*

Airbus vs Boeing: The Dogfight

IT WAS A DEAL THAT WENT ON TO BECOME A transnational row between France and the US. Stung by Air-India's decision to award a $7-billion (Rs 31,500 crore) deal to **Jim McNerney** (left, top)-led Boeing, Airbus (CEO: **Gustav Humbert**) cried foul, insinuating that the deal wasn't above board. On its part, the GoI has cleared the deal, but wants to renegotiate the price. *S P.V.*



Zindagi se bhari jholi

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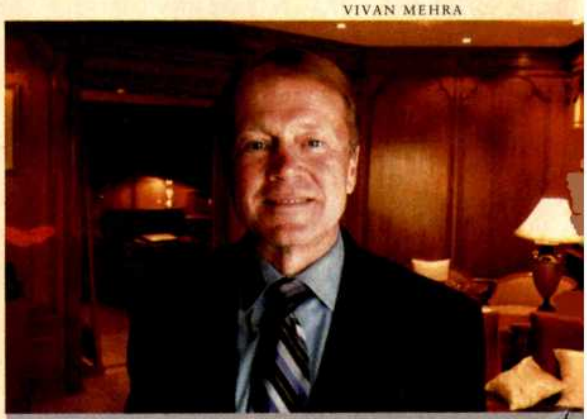
They came, they saw, and were wowed. An unprecedented number of top global CEOs made a beeline to the country last year, checking out the India story for themselves. Going by their investment plans, we'll be seeing a lot more of them in the future.

A Fab For India

IF INDIA (EVER) EMERGES AS A MICROprocessor foundry power like China or Taiwan, one key man to thank for it will be AMD's Chairman and CEO, **Hector de J. Ruiz**. He's made AMD join a consortium led by SemiConductor India, which is building India's first chip manufacturing unit in Chennai. Although vastly smaller than Intel, AMD is betting its chips on India.

Venkatesha Babu

VIVAN MEHRA



Cisco Boots Up

CISCO'S JOHN CHAMBERS THINKS THAT INDIA will emerge as its largest market in Asia, ahead of China. And the Chairman and CEO of networking gear supplier is putting money where his mouth is: An investment of $1.1 billion (Rs 4,950 crore) and tripling of headcount to 4,200 in three years. Although Chambers didn't announce this during his visit, Cisco is believed to be considering setting up manufacturing facilities in India. *VB*

Thinking Out Of The Box

ON HIS FOURTH VISIT TO INDIA IN THE LAST eight years, Microsoft Chairman and the world's richest man **Bill Gates** announced a massive investment of $1.7 billion (Rs 7,650 crore) in India over a four-year period. If selling the Microsoft vision of the future to governments was part of his agenda, so was stocktaking the work being done by the Bill and Melinda Gates Foundation in India. Trivia: He loves his *upma*. *VB*

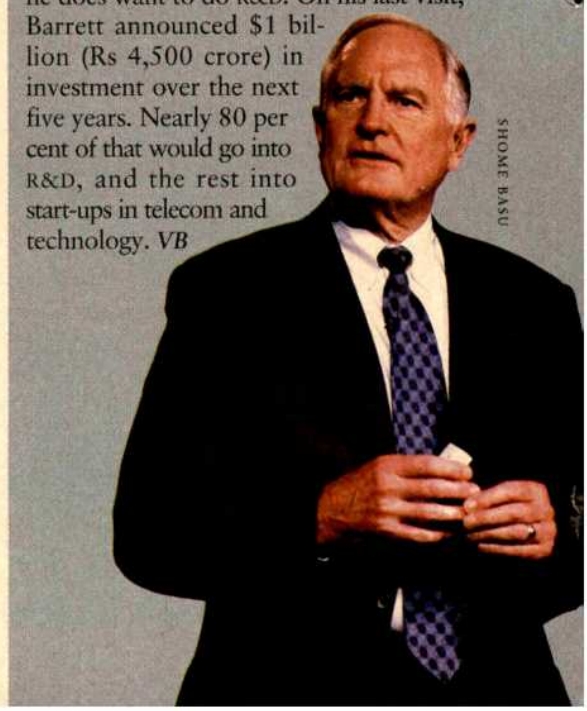
Business On His Mind

LIKE HIS PREVIOUS TWO TRIPS TO INDIA, Chairman and CEO of IBM, **Samuel J. Palmisano**'s visit went without any press interviews. But expect that to change. A good 10 per cent of IBM's global workforce is now based out of India, besides which Big Blue is chasing domestic outsourcing business in a big way. *VB*

Still, Intel Inside

INTEL'S CHAIRMAN, **CRAIG BARRETT** MAY not want to manufacture chips in India, but he does want to do R&D. On his last visit, Barrett announced $1 billion (Rs 4,500 crore) in investment over the next five years. Nearly 80 per cent of that would go into R&D, and the rest into start-ups in telecom and technology. *VB*

SHOME BASU



The Showman Came To Town

MONTHS AHEAD OF HIS DEPARTURE FROM DISNEY AS the CEO, **Michael Eisner** swung by India to check out the entertainment scene and the company's TV channels. In tow was his successor Robert Iger. Though there were no commitments on starting a Disney Theme Park, Eisner made it clear that India was a long-term bet. *VB*

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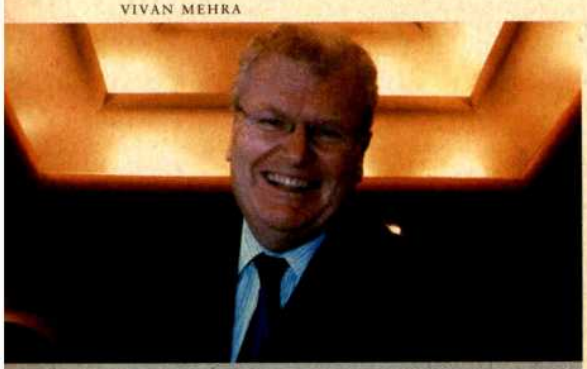
VIVAN MEHRA



An Eye On The Box

HOWARD STRINGER, SONY'S NEW AND first non-Japanese CEO, came calling on his team in India. But it was more to shake a leg (he was here for Sony Entertainment Television's 10th anniversary bash) than to take stock of the group's businesses here. Stringer, however, did think that the Japanese giant had a huge opportunity to make the new "United Sony" strategy deliver in India. *Venkatesha Babu*

The Real King Kong

THE WORLD'S LARGEST RETAILER MADE A LOW-profile visit to India. Understandably so. As things stand, **Lee Scott**'s Wal-Mart—for that matter, any foreign retailer—isn't welcome in India, never mind that both Indian consumers and suppliers lose because of that. But, Scott did promise that the $285-billion "beast from Bentonville" would be here as soon as the gates are opened. Consumers, rejoice. *VB*

Motorola, Meet India

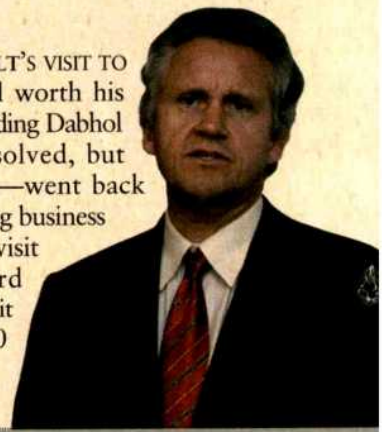
WE WANT TO GET INDIA GOING LIKE China," is what **Ed Zander**, Motorola's CEO of three years, said when he came to the country. And not a day too soon. Motorola entered India way back in 1987, but has little to show for it. Things could change rapidly. Motorola has just shifted into marketing high gear. *Rahul Sachitanand*

Incredible Machine

ALTHOUGH FORMER TOYOTA Motor president **Fujio Cho** was in Mumbai for just a day—to launch the Innova—he had no trouble getting his message across to rivals loud and clear: "We are positively studying the possibilities of introducing small cars," he said. This being Toyota, nobody took it lightly. *RS*

Seeing Is Believing

GE CHAIRMAN AND CEO, **JEFF IMMELT**'S VISIT TO India in May this year was well worth his trouble. Not only did the long-standing Dabhol row (GE is an investor) get resolved, but Immelt—never a big India fan—went back a convert. While GE has been doing business in India for 103 years, Immelt's visit may have kicked-off GE's "third wave" in India. This time around, it wants to be $5 billion (Rs 22,500 crore)-big by 2010. *RS*



RITESH SHARMA

Detroit To Delhi

THIS WON'T BE MY LAST VISIT TO INDIA," Ford Motor Company's Chairman & CEO, **Bill Ford**, told this magazine on his maiden visit to India for the launch of the Fiesta. It's easy to believe him. Like its bigger rival General Motors, Ford is under tremendous pressure in the US, and the only markets where it makes money are outside the US. *RS*

A Giant Thinks Small

IT WAS THE FIRST VISIT BY A Citigroup CEO in five years, and rather than talk shop, **Chuck Prince** chose to focus on micro finance. He announced a $3.5-million (Rs 15.75 crore) grant from the Citigroup foundation for the Indian School of Micro finance for Women. No doubt, he was investing in Citi's future customers. *RS*

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It's quite likely that an entirely different set of people make the biggest bang (in the business world) this year. After all, at the beginning of 2004, who would have ventured that the brothers Ambani would break up by the end of the year?

BHASKAR PAUL

Cain & Abel Redux?

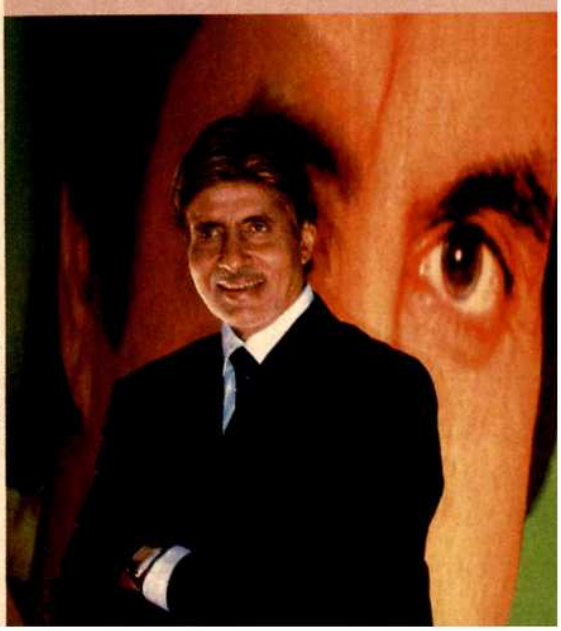
EVEN AFTER A MUCH-PUBLICISED AND WELL-documented settlement between **Mukesh Ambani** and his younger brother **Anil** (the latter ended up with Reliance Energy, Reliance Capital, and Reliance Infocomm; the former with pretty much everything else), it is evident that not all is well on Planet Ambani. Exhibit A, in any case to prove this, would have to be reports of a seemingly trivial move by Mukesh to have some telephone connections (Reliance Infocomm, of course) at his office replaced (by state-owned MTNL). Exhibit B would have to be reports that the squabble between NTPC and Reliance Industries, which has reached the courts, is actually a proxy for a coming fight between Reliance Industries and Reliance Energy (because, the argument goes, Reliance Industries has promised to deliver gas to Reliance Energy on the same terms that it will to NTPC, and by reneging on its deal with the latter, it can do the same with that with the former too). Keep an eye on the brothers in 2006. *Sahad P.V.*

First Lady

SHE WAS THE FIRST INDIAN WOMAN TO graduate from Harvard Business School. She is amongst the most powerful women in business in the country. Now, in 2006, **Naina Lal Kidwai** could become a director on the board of Swiss multinational Nestle. The general meeting of the world's largest food company, on April 6, is when this will happen (if she is chosen). *S P.V.*

Patriarch's Autumn

HE PAID RS 18 CRORE AS INCOME TAX IN 2004-05, which means he earned at least Rs 54 crore that year. He featured in seven films last year (2005), hosted KBC II, and endorsed 11 brands. Now, with his ageing body protesting, **Amitabh Bachchan** will have to take it easier in 2006. But who will step into his shoes? *Archna Shukla*

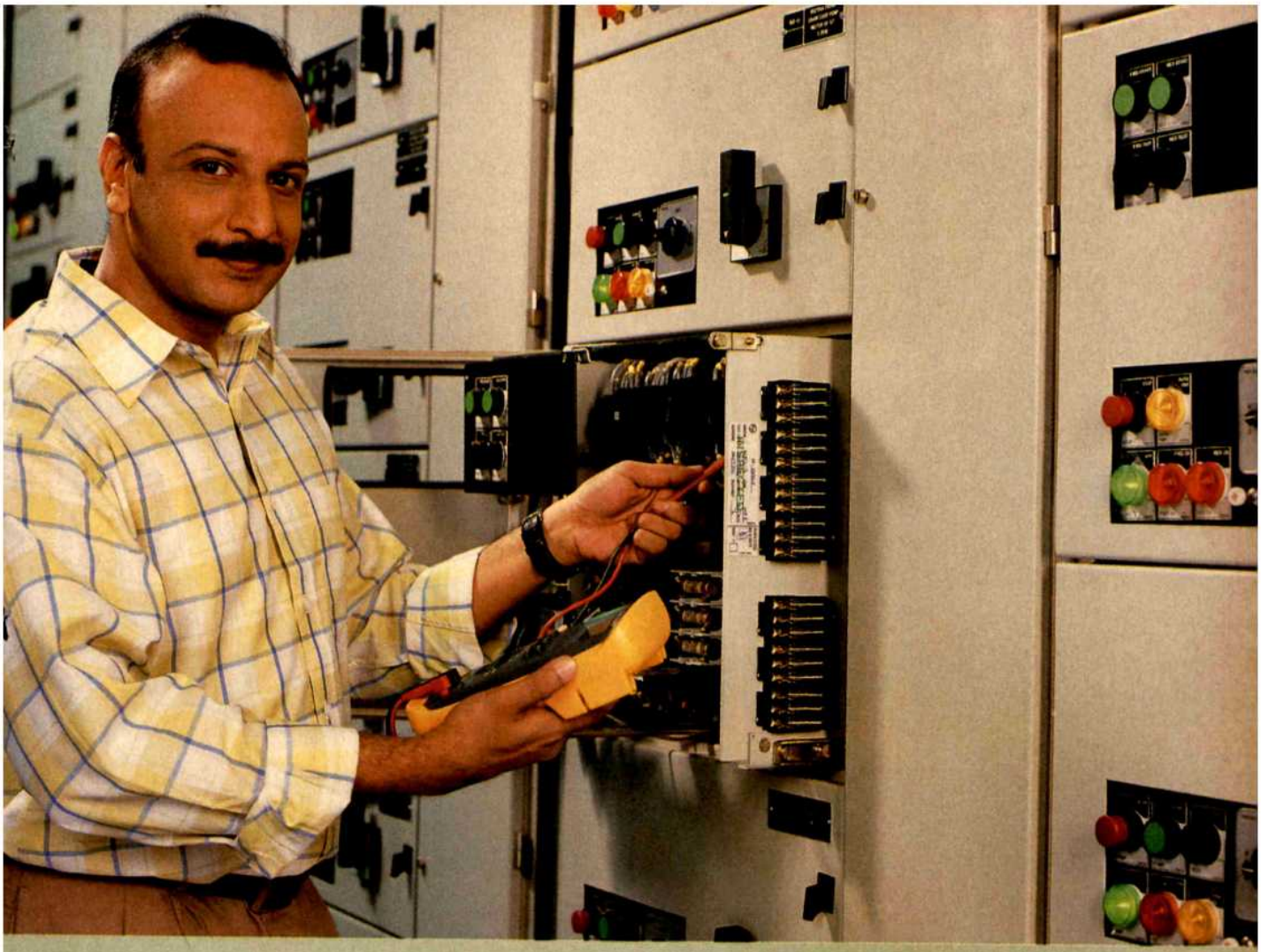


BHASKAR PAUL

VIVAN MEHRA

Cellular Czar...

... OR SELL-OUT ARTISTE? THAT'S THE QUESTION Bharti Tele-Ventures CEO **Sunil Mittal** must answer in 2006. Chances are, he'll evade doing so. Vodafone may have acquired an enabling approval from the FIPB to hike its stake in Bharti Enterprises, the holding company for the telco, to 49 per cent, but that will happen only if and when the Mittals decide to dilute their stake *S P.V.*



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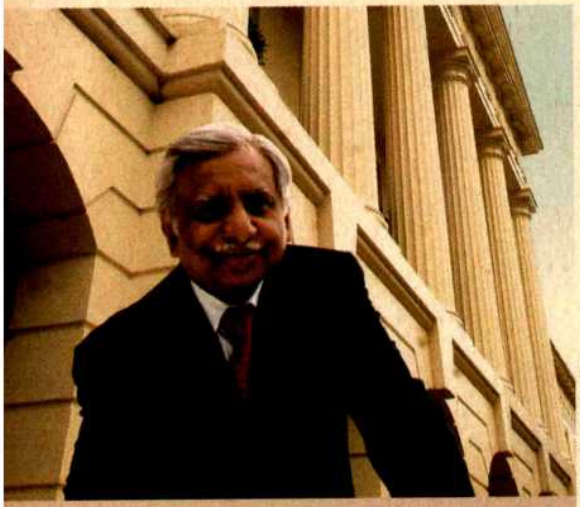


BANDEEP SINGH

Turbo-Jet? Not Quite

WELL, 2006 WILL BE THE YEAR **NARESH Goyal**'s Jet Airways starts flying to the US (after a tumultuous 2005 when it was prevented from doing so by, among others, a case by American firm Jet Inc). And, if Vijay Mallya's Kingfisher manages to acquire Air Sahara, Goyal could find the competition a tad hot.

Will He? Won't He?

AFTER MERRILL LYNCH FAMOUSLY bought out Hemendra Kothari from DSP Merrill Lynch for a fabulous $500 million (Rs 2,250 crore), D-street has been abuzz about other such sell-outs, including one by J.M. Morgan Stanley founder **Nimesh Kampani** to his 49 per cent JV partner Morgan Stanley. Will the 59-year-old Kampani go for it in 2006? *Archna Shukla*

Into His Own

HE'S BEEN CEO FOR A FEW YEARS now, and, thanks to his initiatives in the area of urban governance, become a mover-and-shaker-of-sorts in New Delhi. Now, with the impending retirement of Chairman N.R. Narayana Murthy, **Nandan Nilekani**, the quintessential big picture man, will have to prove he has Murthy's "excellence-in-execution too."

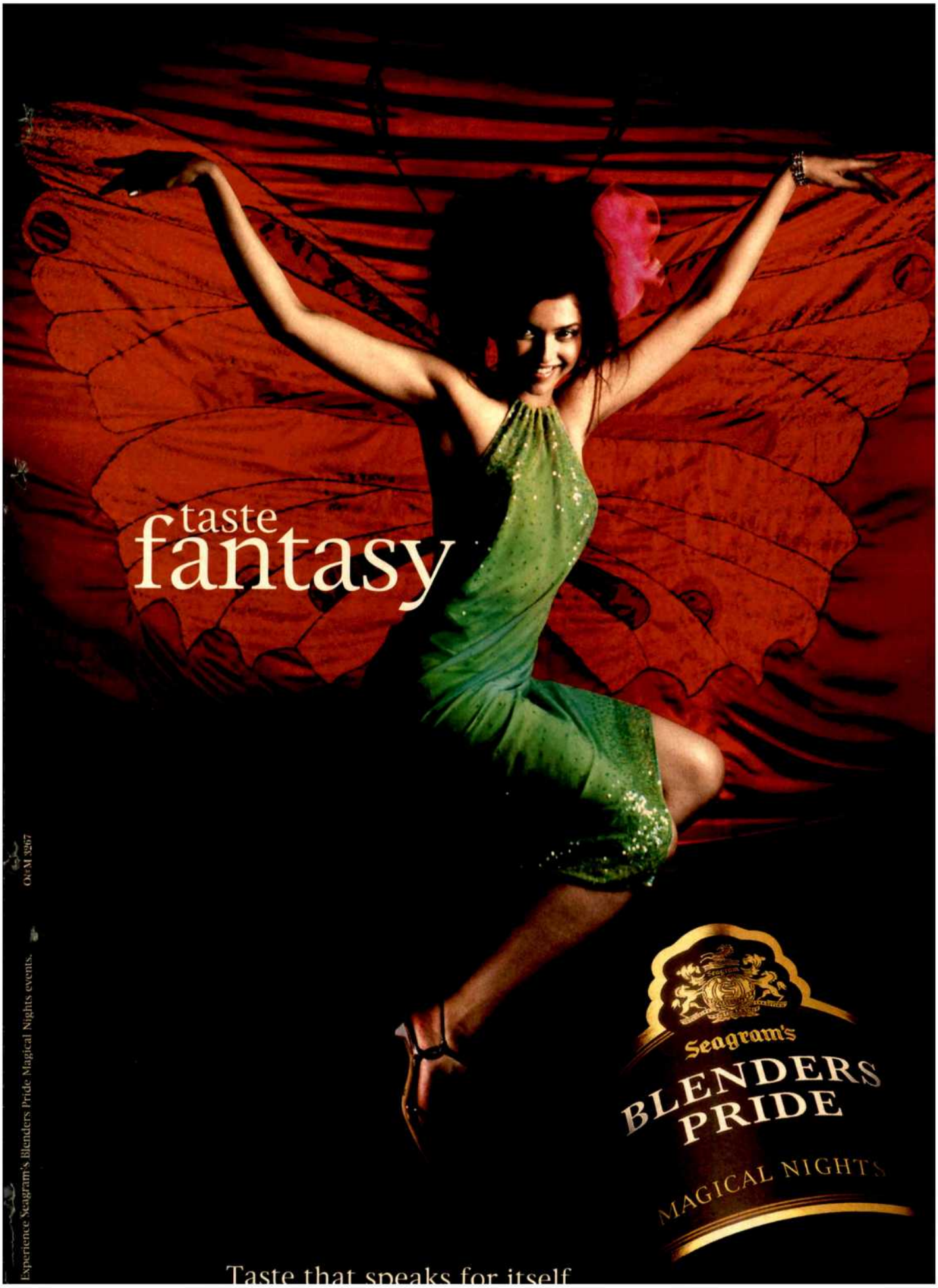
RITESH SHARMA

Dot.com Boomer

THIS COULD BE THE YEAR NAUKRI.COM, ARGUABLY, INDIA'S MOST successful dotcom goes for a public issue. That'll be some denouement to the story of **Sanjeev Bikchandani**, an IIM-alum who, spurning the flashiness that characterised almost all of India's dotcoms that were part of the first wave, kept Naukri on the straight and narrow, even avoiding venture funding for a long time (he eventually sold 15 per cent to ICICI Venture). It seems only apt that Naukri should consider going in for an IPO just around the time Web 2.0 companies are beginning to sprout in India. *Sahad P.V.*

Lone Ranger

IN 2005, YUSUF HAMIED, THE 70-YEAR-old Chairman and Managing Director of Cipla, had a hard time convincing people he was not selling out. Instead, he insisted, Cipla was merely exploring opportunities for collaboration. Fact is, Cipla is the kind of company any MNC would like to own. Will that happen in 2006? *AS*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OVERVIEW

INFLECTION POINT

There is a time in the affairs of men,
Which, taken at the flood, leads on to fortune;
Omitted, all the voyage of their life
Is bound in shallows and in miseries.
William Shakespeare in Julius Caesar

STATISTICIANS CALL IT AN INFLECTION POINT; others call it a cusp. The precise nomenclature is irrelevant. What's important is that future economists will probably identify 2005 as the year when India's economic jigsaw puzzle finally started taking coherent shape. Pundits of every hue are near unanimous that the country is—and will remain—on a high growth trajectory over the foreseeable future. And it is this upturn in the growth curve that promises to pull India's 260 million below-the-poverty-line citizens out of their misery. The task ahead is daunting: we will have to clock a 10 per cent GDP (gross domestic product) growth rate every year for a decade and more to achieve the target. But the country has made a good beginning. The numbers say it all: GDP has grown 8.1 per cent in the first half of the current fiscal. The Reserve Bank of India projects the full year growth rate at 7-7.5 per cent. Finance Minister P. Chidambaram is more bullish—he expects the figure to cross the 8 per cent mark. Water, energy, education, infrastructure and employment generation, among others, are feeding this growth even while remaining critically dependent on it. But some chapters in the growth story are causing concern. It is now almost certain that agriculture will not grow at the projected rate of 4 per cent. This is just one of the many imponderables that makes the journey so fraught with tension.

We've identified five themes for the overall growth story—and 25 challenges within them—that need to be addressed, pronto. We must find answers to the questions involved. They cover a broad spectrum of issues—from the economic to the aspirational—and include challenges relating to delivery, to our quality of life and, indeed, to the very basic issues of development themselves.

As Arun Maira, Chairman of Boston Consulting Group, says in his article on *What Will It Take To Create A Market Out Of India's Poor?*, creation of incomes is essential for the creation of markets. Taking this analogy further, the creation of markets is *sine qua non* for a vibrant economy. But our policy planners often seem to lose sight of this tautology. But we were pleasantly surprised to learn in the course of our research into the subject that lots of companies in India are targeting the bottom of the country's pyramid, and many of them, in fact, are being generously rewarded for their labours. An untapped market of 600 million consumers—albeit small and even marginal ones—is too big to be sneezed at.

Similarly, Anand Mahindra, Vice Chairman and Managing Director of Mahindra & Mahindra, makes out a compelling case for more FDI: since India's savings rate will not support the rate of investment needed to grow at 8 per cent, the deficit has to be made good with foreign investment.

All our contributors bring their own unique understanding of the Indian economy into play. Kumar Mangalam Birla, Chairman of the Aditya Birla Group, breaks down India's journey to economic superpower status into five discrete components and proceeds to take the issue forward from there.

But away from the boardrooms and the thrust and parry of the corporate world, there's another universe whose needs are just as important. Our children need education to prepare them for the road ahead, our ailing need easier and better access to healthcare, our farmers, who still make up two-thirds of our population, need to find a voice, and our citizens deserve a far better quality of life than is currently available.

From eradicating poverty, fighting corruption, overcoming AIDS, and bridging the digital divide to winning a Nobel Prize and an individual Olympic gold medal... we've addressed them all. Our stellar team of 25 guest contributors has laid out the roadmap. We've already attained critical mass to move into the next orbit. We must break the shackles that are still holding us back. ■

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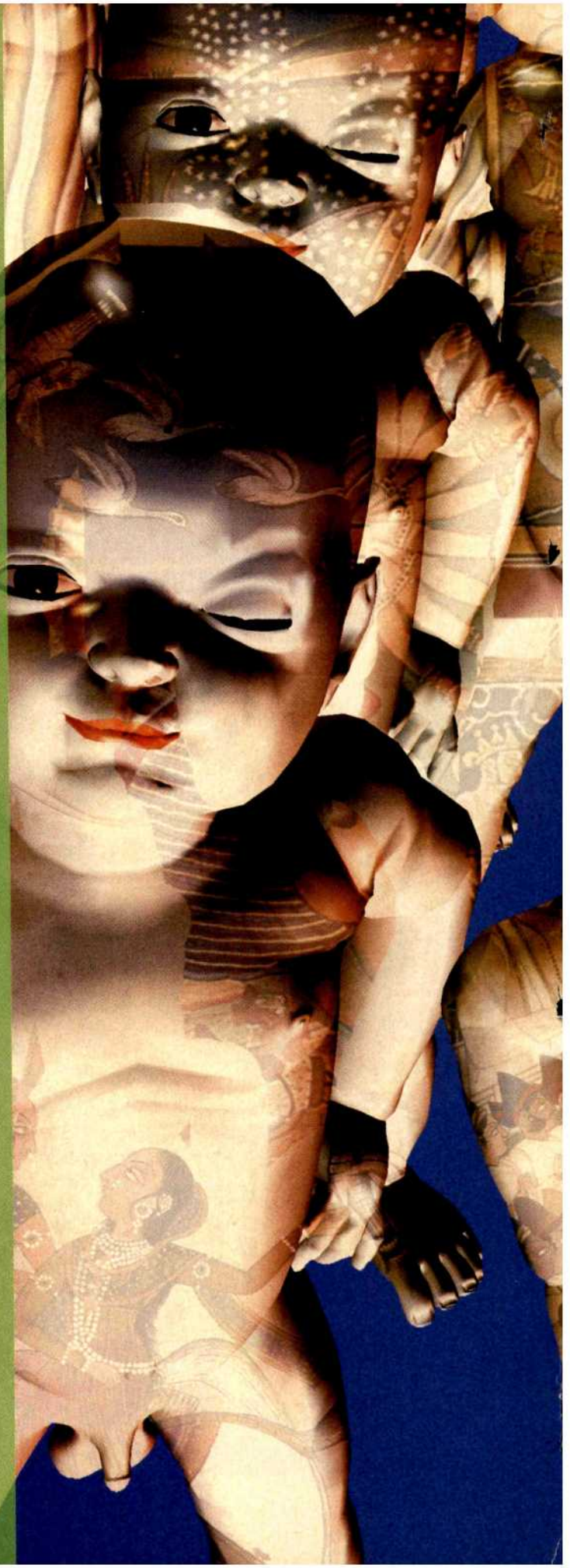

THE ECONOMIC CHALLENGES

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WHAT WILL IT TAKE To Make India An Economic Superpower?

KUMAR MANGALAM BIRLA

THE NATIONAL INTELLIGENCE COUNCIL (NIC), a division of America's Central Intelligence Agency (CIA), in its 2005 report entitled *Shaping The Global Future* avers that India and China will be the economic heavyweights of the 21st century. Barring major upheavals in these countries, the rise of these new powers is a virtual certainty, according to the NIC. This bold and confident prediction comes in the wake of several other similar reports that also dwell on the inevitability of the rise of India and China. The talk of India attaining or aspiring to be an economic superpower is, then, certainly not premature.

One stark aspect of the global power shift is the shift of manufacturing, from the West to Asia, in industry after industry. For instance, nearly two-thirds of world fibre production comes from Asia today, the same as the share of North America and Europe in 1980. Reflecting the shift in production bases, nearly one-fourth of the world fuel demand now originates in non-Japan Asia, compared to just one-tenth in the mid-seventies. To take a more recent example, China, Thailand and India have contributed to 35 per cent of the increase in world vehicle production between 2001 and 2004. China alone now accounts for one-fourth of the global steel and aluminium demand, nearly one-third of the coal demand and 40 per cent of cement consumption.

This Asian destiny is slowly manifesting in terms of the changing pattern of global GDP. During the past 30 years, the weight of global GDP has been progressively shifting away from North America and Europe towards the ASEAN region. The share of OECD Europe has declined by 5 percentage points, while that of the US and Japan has declined by one percentage point each. The average GDP growth of China and Korea over the past 23 years has been 9.5 and 6.7 per cent per annum, respectively. Judging by India's own fast growth, it is possible that by the middle of this century, India's share of global GDP will be the same as its population, making it the world's second largest economy. This indeed was the case in early 1800s. Two centuries on, we seem to be in the process of coming a full circle!

The journey towards becoming an economic superpower is actually the outcome of conscious choices that we have made in the sphere of economic and social policies, especially during the past decade. Some of the signposts in the journey are quite spectacular. We have become the world's largest producer and consumer of a variety of industrial and agricultural products. Many Indian companies are winning international recognition for manufacturing excellence, and in information technology, India has become a brand to reckon with. Most global corporations have established a presence in India,

The continuation of our economic journey will depend on how we utilise all the factors that are advantageous, and also our political and national will to pursue economic reforms

either for manufacturing or for research and development. In the next few years, I see billions of dollars being committed to India in the form of foreign investment. In the short span of seven years, we have gone from being a state on which sanctions were imposed—in the wake of our 1998 nuclear tests—to one which has signed a special nuclear treaty with the United States. Our continuing progress in nuclear and space sciences lends further legitimacy to our claim for membership in the UN Security Council.

The continuation of our economic journey will depend on how we utilise all the factors that are advantageous, and also our political and national will to pursue economic reforms. Going forward, we need to answer the following five questions, as we develop a strategy for becoming an economic superpower:

How will we ensure better livelihoods for the people of India?

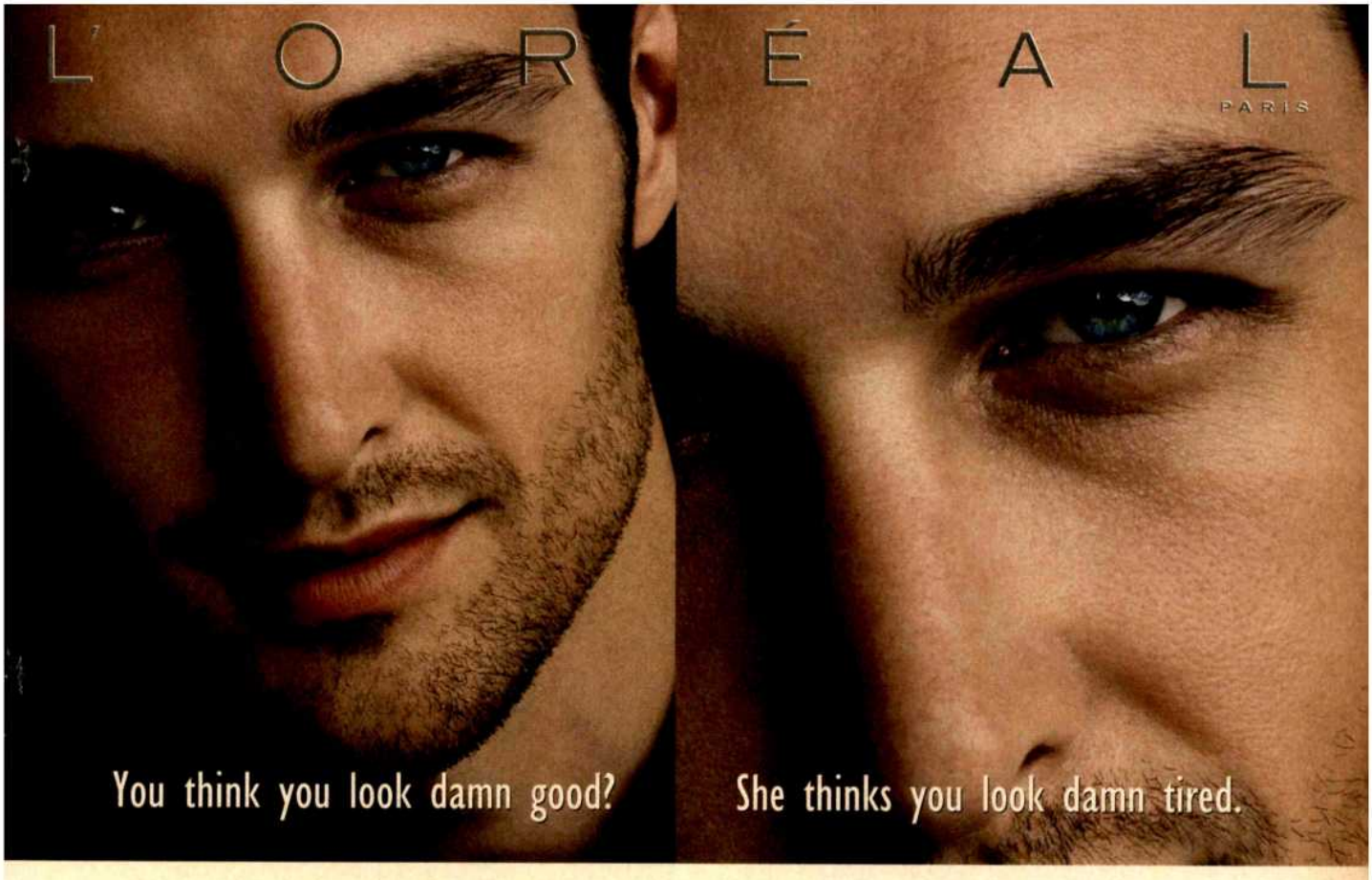
India's demographic dividend is a well known fact, wherein the labour force is growing much more rapidly than the overall population. But, we need to ensure that this demographic blessing does not become a curse. This means that we must ensure that the pace of job creation or self-employment opportunities must increase at an exponential pace. The four areas which can contribute tremendously to job creation are textiles, agriculture (including agro-processing), construction and retail. This calls for unshackling all constraints in these four sectors, as well as ensuring the flow of large investments into these sectors. More than half of India's labour is self-employed, so we also need to encourage and nurture entrepreneurship. To create ever higher value adding jobs, we must chart a path towards becoming one of the few global manufacturing hubs. The global mega trend of outsourcing is waiting to be harnessed, and we must latch on to this tide. We must be able to widen the field to include engineering, chemicals, metals and textiles—in addition to the strides we have made in information technology and auto ancillaries.

How do we increase the capabilities of our people?

It is well known that high growth is supported by high capital stock. But, an increasing share of that capital stock is in the form of human capital. In a country like the US, more than three-fourths of capital stock is accounted by human capital. This is an outcome of higher literacy, skills and training. In India, we are still short of attaining the targeted level of investment in education—around 6 per cent of GDP. No child in India must have to skip school for the sake of pursuing a livelihood. And no student ought to be denied an opportunity for higher education for lack of funds. India is already a "knowledge economy" brand; yet, many IT companies are worried about ensuring adequate supply of trained manpower. Some companies have integrated backwards and started technical universities. I believe we need to facilitate the emergence of private vocational and technical training institutes in order to meet the huge demand emerging for trained manpower. The connection between human capital and GDP has been validated by the World Bank, which examined per capita income data for 121 countries and linked this with its Knowledge Economy Index.

How do we ensure provision of adequate level of public goods?

Our productive prowess and the ability to serve global markets are increasingly handicapped by the poor state of infrastructure and public goods. This includes water, sanitation, electricity, transportation, law and order and governance. These goods cannot be provided by any private entity, or through a market-based competitive system. While foreign and domestic private capital can flow into infrastructure, the actual provision of the public service is necessarily in the public domain. Among the many infrastructure sectors, electricity remains a drag on our competitiveness. A detailed survey by the World Bank has found that manufacturers in India face nearly 17 significant power outages per month, versus only one per month in Malaysia and four in China. Nine per cent of the total of output is lost due to power breakdown, compared to 2.6 per cent in Malaysia and 2 per cent in China. Outages are so frequent and long, that not having standby diesel generators is unthinkable in India. Generators account



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YOU'RE WORTH IT TOO

Our productive prowess and the ability to serve **global markets are increasingly** handicapped by the poor state of infrastructure and public goods—water, sanitation, etc

for 30 per cent of business power consumption in many cases. Almost 61 per cent of Indian manufacturing firms own generator sets; the figure for Malaysia is 20 per cent, while in China it is 27 per cent, and in Brazil 17 per cent. Moreover, India's combined real cost of power is 74 per cent higher than Malaysia's and 39 per cent higher than China's. Electricity is but just one example. The inadequacy in infrastructure is virtually across the board. Here, I must mention the obvious and startling successes we have achieved—in telecom, for instance. The point is we can do it.

How do we ensure that our global winners retain competitive advantage?

In countries like Japan and Korea, the government was an active partner in helping industry attain global status, in the earlier stages of their development. Even US foreign and international trade policies are largely aligned with the business interests of US corporations. The short point here is that in the era of globalisation and international trade competition, corporations and nation states have to develop winning partnerships. We are seeing some manifestation of this in our oil security strategy, wherein our national oil companies are scouting the world aggressively for acquisitions. That is the way to shape our policies, going forward—so not only do they support economic reforms and freedoms, but also proactively facilitate the emergence of global Indian corporations. The Indian Brand Equity Foundation (IBEF) points in the same direction.

How do we protect and nurture the core diversity of our economy?

India, perhaps, stands unique in the degree of its diversity. Apart from racial, cultural, linguistic and social diversities, different states in India also tread different paths toward economic progress. Yet, it is the largest democracy in the world—noisy, chaotic and slow though it may be at times. But even under these conditions, market forces have struck solid roots. Such is the resilience of market forces, that for more than two decades they have been driving the economy ever higher, notwithstanding periodic political and ideological differences.

Nobel laureate Amartya Sen has said: "Public reasoning is essential to democracy. It is intimately connected with public discussion and interactive reasoning—traditions which exist all over the world." Arguing against the theory that democracy was a quintessential Western concept he said: "There are two ways to see democracy—one, the narrow view that interprets democracy in terms of voting and majority rule and the second, broader view, which sees it in terms of public reasoning. The argumentative heritage in India is an important asset, which we will be wise to invoke and utilise."

China is already much bigger, and has been quietly and consistently growing at 9 per cent per annum for almost two decades. But, China has a very different political system. And that may be one of the reasons that the West pays more attention to China. India, which has recently been growing as fast as China, and which also has a similar population size, hardly fills the West with the same foreboding, because it is a democracy, and, as we are continually told, democracies "never go to war with each other".

I believe the past few years have proved that the thought of India becoming an economic superpower is no longer outlandish. We could argue about the timeframe. But the possibility is real, almost inevitable. That said, we cannot afford the luxury of overconfidence—and the complacency and hubris that come with it. A lot of groundwork still has to be done. Exciting as the prospects are, the road ahead is extremely challenging. We have to stretch the canvas every way we can. Our dreams have to be audacious. Our ambitions have to have that essential element of the 'killer instinct'. And—in tune with the pace with which things move today—we have to take a quantum leap in the speed with which we do things. We certainly have the luxury of having the essential endowments and competencies that go into building a successful, global economic power. What we don't have is the luxury of too much time. ■

The author is Chairman of the Aditya Birla Group

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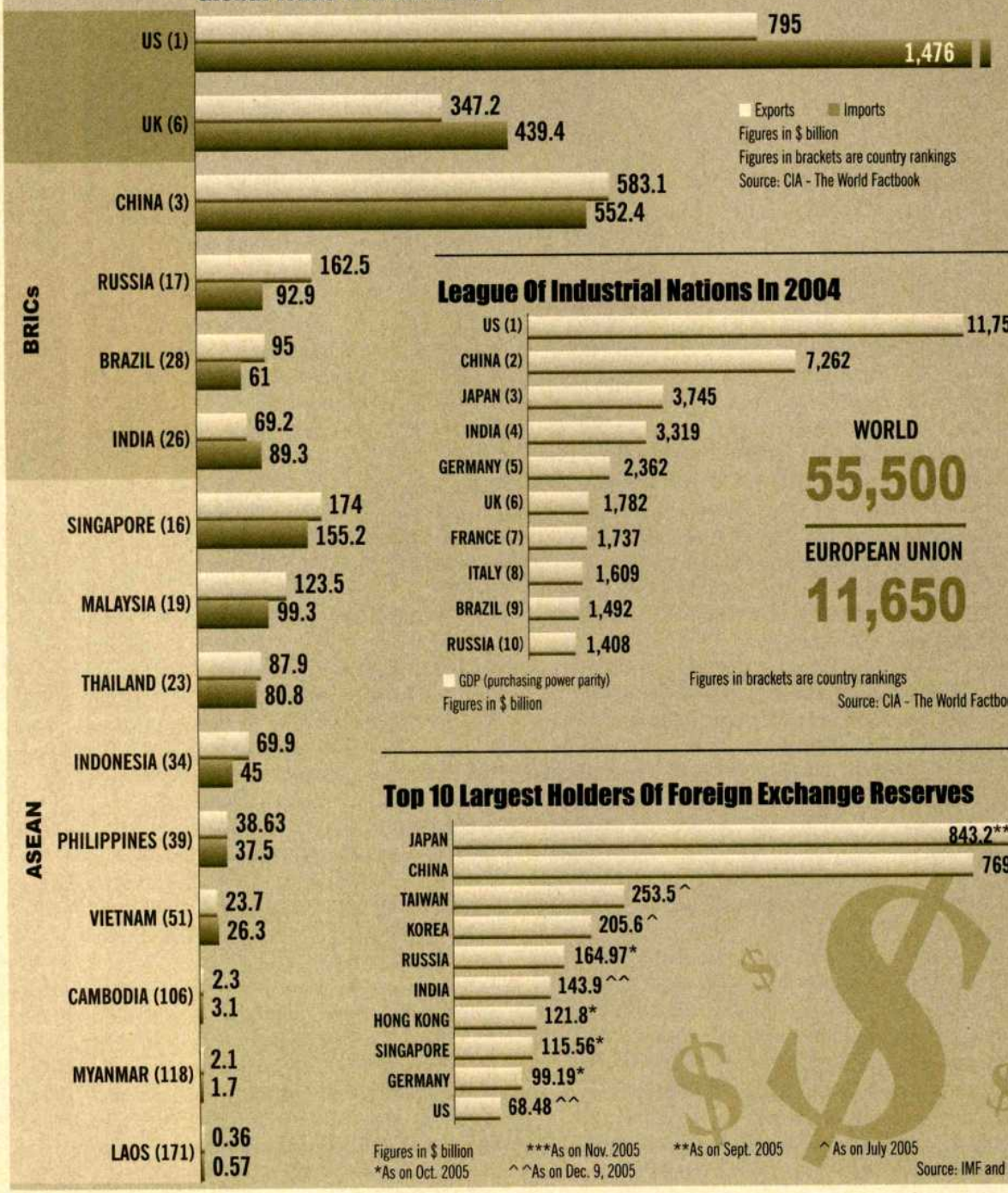
THE WORLD OF TRADE

Global Trade (2004 estimates)



League Of Industrial Nations In 2004

Top 10 Largest Holders Of Foreign Exchange Reserves

GRAPHICS BY PINAKI PAUL & KULDEEP

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Prem comm / 02 / 05

WHAT WILL IT TAKE For India To Become The #1 FDI Destination In The World?

ANAND MAHINDRA

THE QUESTION ITSELF CONTAINS WITHIN IT the obvious presumption that foreign direct investment is eminently desirable. I have no quarrel with that presumption, but I do wish to place it in a context that will support the roadmap I've been asked to lay out.

Towards that end, it may be useful to restate a basic tenet of development economics. Economists employ a rule of thumb labelled the Incremental Capital-Output Ratio or ICOR, which is essentially a formula that articulates the quantum of investment, or capital, required to achieve a certain rate of growth. So, if we target a growth rate of 8 per cent in Indian GDP, we will, per force, need to ensure a rate of investment of 32 per cent, given an ICOR of 4.

India's savings rate has not yet touched the levels that this formula tells us is *sine qua non* for ensuring the growth target we have in mind, and indeed, must have in mind if we are to banish poverty within a reasonable time frame. When there is a gap between the savings rate within a country and the rate of investment required for achieving the targeted growth rate, then that gap is usually met by—you guessed it—foreign direct investment (FDI).

Now that is essentially a mathematical argument in favour of FDI. In addition, I'd like to cite four more reasons in support of FDI that are soft in nature. First, and most important in my view, is that foreign direct investment brings technology and innovative practices to India. Even when it is brought in by MNC-controlled subsidiaries, there is an inevitable osmosis of knowledge that takes place through their Indian employees, who leave and join other firms or even better, become entrepreneurs themselves.

Secondly, overseas firms can deploy large quantities of capital, which is just what the doctor ordered for large infrastructure projects. Indian entrepreneurs can, by and large, access whatever capital they need today, but there are still only a handful of domestic business houses that are capable of undertaking, or willing to make the kind of investments needed for long-gestation, uncertain infrastructure plays.

Thirdly, the entrance of some key global players can provide India vital access to downstream elements of the value chain. For example, if India wants to become a major exporter of agro-products and processed foods, then it is critical to gain access to global retail outlets and brands which overseas consumers trust. Encouraging large global players to enter India encourages them to view India not just as a market, but as a key participant in their supply chain.

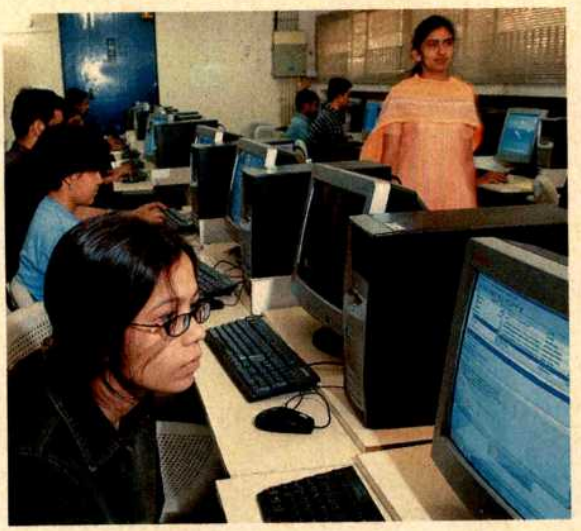
Fourthly, FDI brings in players who raise the scale of the industries in which they operate. Let's take the retail sector, which is the subject of intense debate. If a giant global player comes in and targets the

RITESH SHARMA

Information technology alone is not going to **solve our employment needs.** Despite great success thus far, the reality is that it employs less than 1.5 million people today

procurement of $5-billion (Rs 22,500-crore) worth of goods annually from India, then this will allow Indian producers of all kinds of goods to make a quantum leap in their scale of production with dramatically reduced risk. We seem, therefore, to be missing the point that FDI in the retail sector is not just about retail, but is about making India a manufacturing superpower!

This last point is crucial. We need to understand, once and for all that information technology (IT) alone is not going to solve our employment needs. Despite great success thus far, the reality is that IT employs less than 1.5 million people today. I recall Bill Gates saying at a Confederation of Indian Industry (CII) meeting in Bangalore that India could not ignore the manufacturing sector if it was to achieve sustainable growth and provide employment opportunities. The multiplier effect in manufacturing is far greater and, therefore, more valuable for a country with our population and demographics.



So, the bottom line is that we need to up the ante in our efforts to attract FDI, and we need to focus afresh on investment in manufacturing. What, specifically, do we need to do?

Let me begin with a prescription that is obvious and, yet, worth restating: we cannot, and must not, let our GDP growth rate slip below 8 per cent. We must understand that no amount of improvement in our customer-friendliness and easing of regulations will help, unless we are growing at a rate that makes the world sit up and take notice. Arguably, there are many areas in which our regulatory framework is superior to China's. But it is steroidal growth which keeps the legions of investors coming. For this, the political leadership, from the Prime Minster down, must make it an unequivocal virtue to pursue GDP growth targets.

I recall when, with a CII delegation, we met B.G. Lee, then Prime Minister in-waiting of Singapore, and asked him about his interest in India, he said simply: "How can I ignore a country growing at 10 per cent?" He was referring to the latest quarterly growth figure for India and then proceeded to ask whether that growth was year-on-year or quarter-on-quarter, because Singapore had just announced 11 per cent Q-o-Q growth. I found it striking that a Prime Minister was so focussed on growth metrics and was so constructively competitive about relative GDP figures. Happily, our own Prime Minister recently referred to the half-yearly achievement of 8 per cent growth with great pride and asserted that he was aspiring to 10 per cent levels. That kind of talk will do more to encourage FDI than any single other measure.

Coming to more mundane, but important measures, I do not want to adduce a lengthy laundry list of things to do, especially since such lists are ubiquitous and are quoted *ad nauseam*. I'd like to focus on just three items which deserve priority, and could radically transform the investment climate.

1) Infrastructure, as I've mentioned earlier, is an area starved of investment. In the World Economic Forum's latest global competitiveness report, "inadequate supply of infrastructure" was by far the highest ranked impediment to doing business in India. Hence, attracting infrastructure investment has the double benefit of inducing growth as well as kick-starting a virtuous cycle of investment in all other sectors of the economy. In particular, we stand no

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No amount of easing of regulations and improvement in our customer-friendliness will help unless we are growing at a rate that makes the world sit up and take notice

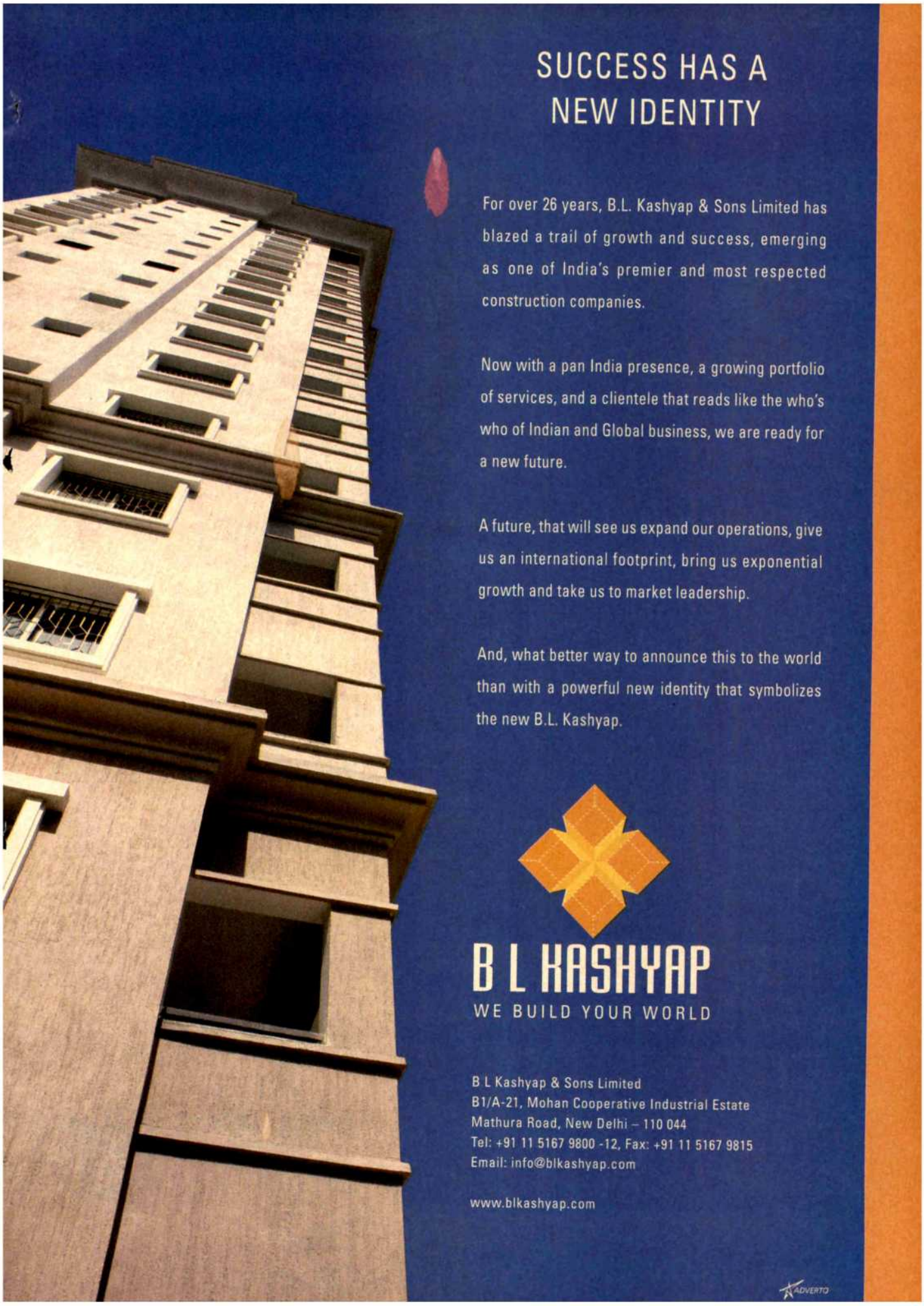
chance of becoming a manufacturing power without the bedrock foundation of efficient infrastructure. In order to make headway here, we need to speedily put together templates for various infrastructure projects. By this, I mean a set of rules and guidelines for financing, implementing and operating large projects in a transparent manner. Despite occasional hiccups, the government did manage to set in place such guidelines as well as a regulatory authority for mobile telephony, and the result is that we are today the fastest growing mobile phone market in the world. In our own group of companies, we experienced inordinate delays while bidding for South Asia's first privatised water supply project in Tirupur. Many important international participants in our consortium lost interest along the way. Five years later, thanks largely due to the persistence of the Indian bidders, the project is successfully underway, and there is now a template which will, no doubt, shorten the gestation period of new water supply projects.

2) India's Special Economic Zones are at the point of take-off. The government has moved with alacrity to conceptualise SEZ legislation and to create an open market for the participation of private enterprise. Indeed, it makes great sense to emulate China, which began its transformation through SEZs that served as laboratories for more widespread reforms. In fact, one could argue that such an approach has even greater merit in a democracy, where it is far more difficult to override vested interests and bring dramatic change overnight in legislation and in urban landscapes. How much easier it is to lay down new infrastructure and a new way of living in a brand new township than it is in Mumbai! But if these zones are to attract new manufacturing investment, then they must have a more flexible labour policy than what exists outside the zone. Neither the central government nor the state governments have shown the courage to take this step. Surely, it should not take much courage to institute this policy within a limited geography? If one enlightened state government enacts these new rules, it will receive a torrent of investments to the detriment of its competitors.

3) My last and simplest recommendation: open the retail sector to FDI. I will not belabour this point since I have already elaborated on the reasons for doing so earlier. What bears repetition is that a thriving and world class retail sector is not just an engine for consumption and growth, but also the route to becoming a world-scale manufacturing force.

There is one final and overriding reason why we must become more hospitable to FDI: in our typical fashion of underestimating ourselves, we have overlooked the fact that today, many Indian companies are on the verge of becoming robust multinationals and will seek to conquer new territories abroad. These new champions are confident of meeting foreign competition in the Indian market and do not need the security of non-tariff barriers. Soon, our government will have to support these companies in prying open lucrative overseas markets. As a nation that will nurture new multinationals, we will, therefore, be doing ourselves a favour by throwing a welcome mat down for FDI and setting a trend that other countries will necessarily have to follow! ■

The author is Vice Chairman and Managing Director, Mahindra & Mahindra Ltd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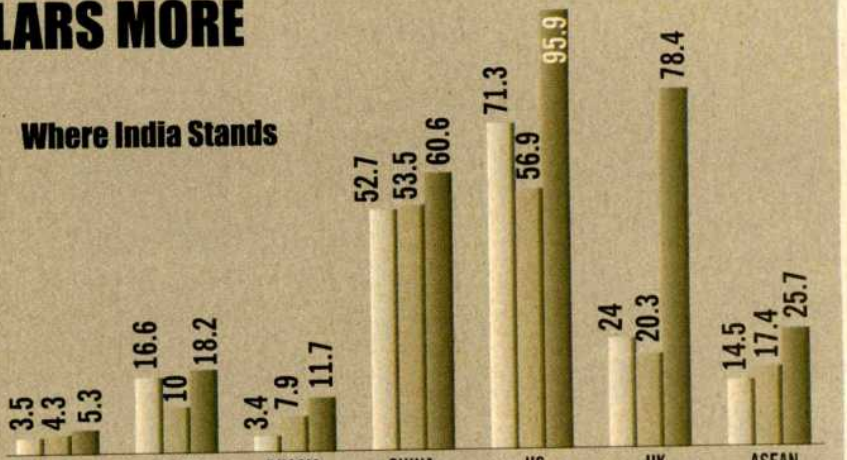
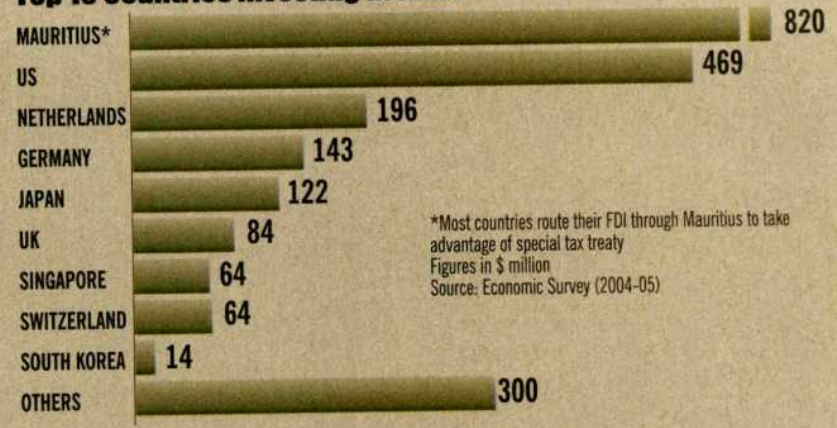


Figures are FDI in $ billion

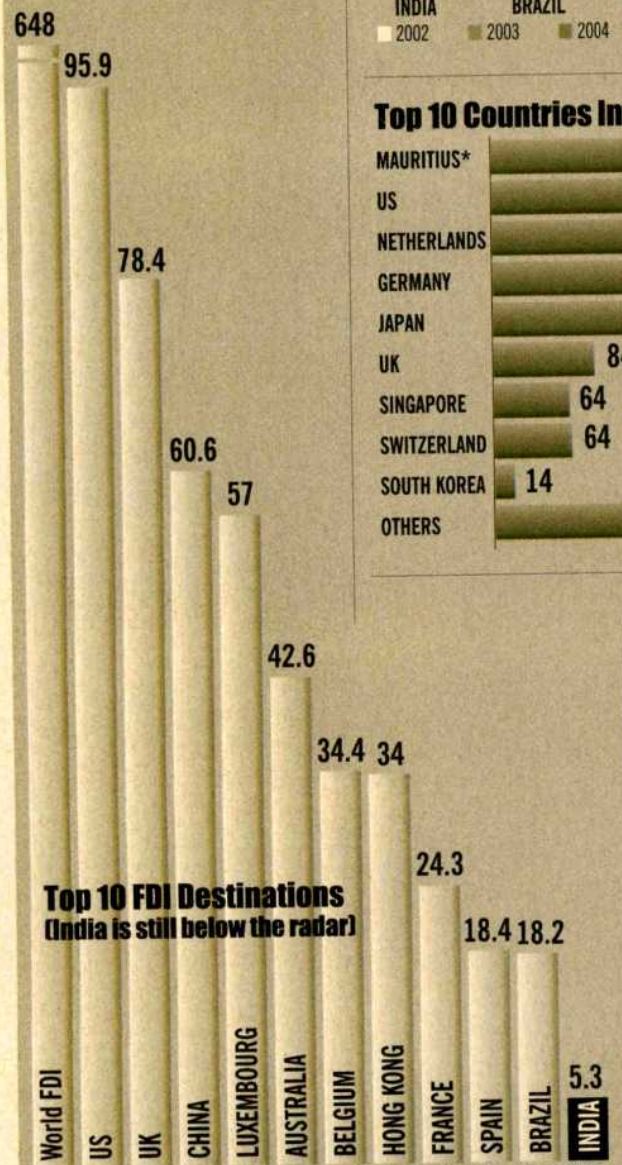
Source: World Investment Report 2005

Top 10 Countries Investing In India



*Most countries route their FDI through Mauritius to take advantage of special tax treaty
Figures in $ million
Source: Economic Survey (2004-05)

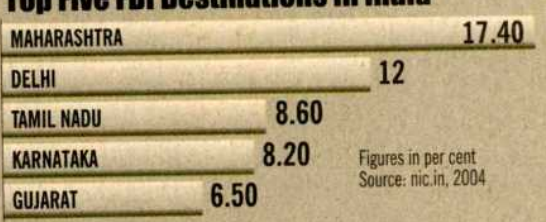
Top 10 FDI Destinations
(India is still below the radar)



Figures in $ billion for 2004

Source: World Investment Report 2005

Top Five FDI Destinations In India

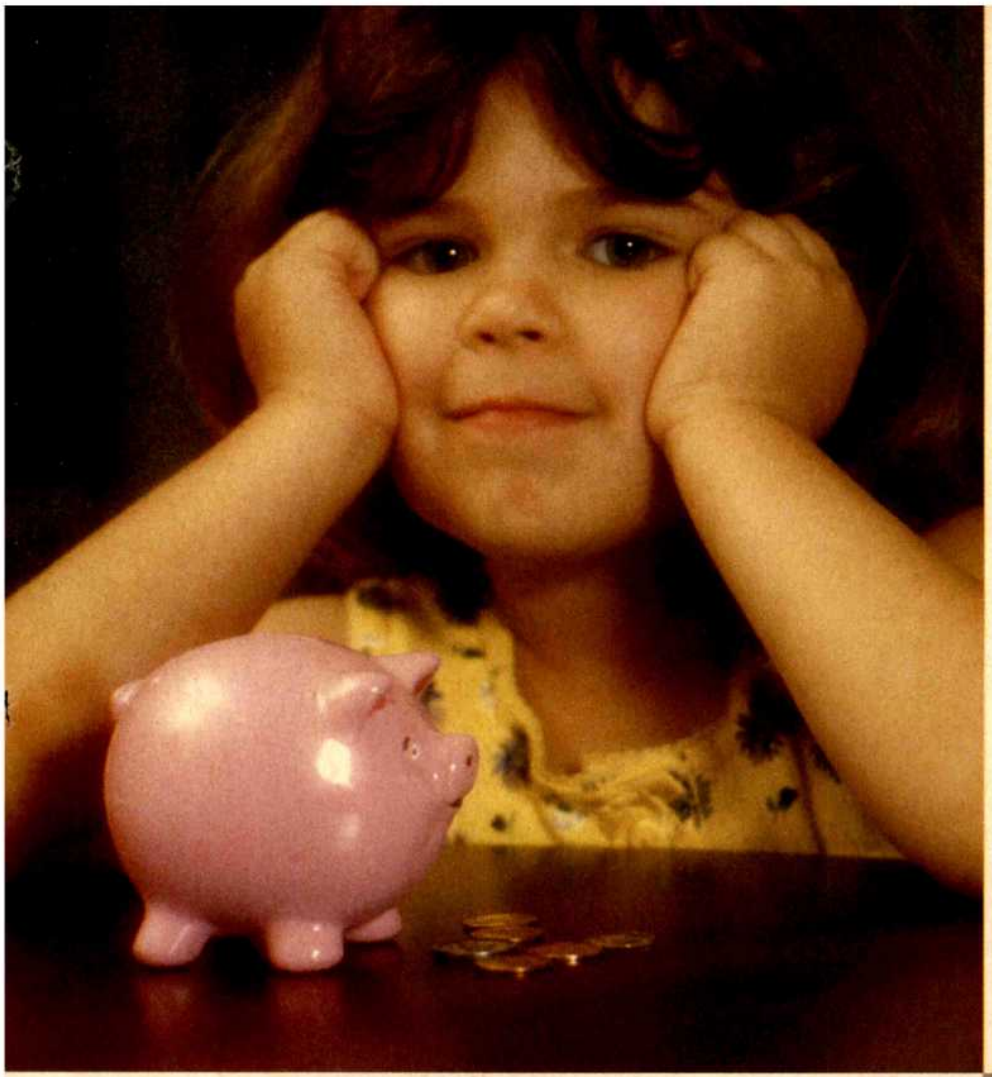


Figures in per cent
Source: nic.in, 2004

Main Industries Attracting FDI In India

Figures in $ million

Source: RBI Annual Report (2004-05) and *BT* Research



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WHAT WILL IT TAKE For An Indian Company To Be Among The World's 10 Largest?

SUNIL BHARTI MITTAL

"The illiterate of the 21st century will not be those who cannot read and write but those who cannot learn unlearn and relearn."

Alvin Toffler

THESE ARE EXCITING TIMES FOR THE INDIAN economy. Never have we had it so good. A liberal economic environment has seen phenomenal growth rates over the last decade-and-a-half. What has been most exciting is the emergence of a strong service sector and the manufacturing sector reinventing itself to make a strong comeback. Having said that, I must also add that the best is yet to come. The Indian economy can and must go a long way forward.

Indian companies have started making their mark on the world map. Already, Indian IT and ITES companies are among the most sought after in the world and are busy creating a global footprint through both organic growth as well as acquisitions. Telecom companies have become benchmarks for offering the lowest rates in the world. Even Indian manufacturing companies are now producing world-class products and exploring international markets. As an Indian, one is really proud to see a Tata Indica being driven in the UK under the Rover badge. I hope and believe that as infrastructure bottlenecks get removed and trade policies get liberalised, the Indian economy will gain momentum.

But before we try and delve into the future to find out if an Indian company can be amongst the 10 largest companies in the world, it is essential that we analyse what's so special about the companies that currently constitute this Top 10 club. The Top 10 companies are from varied business sectors, countries and continents and have different business philosophies, but all of them have some common traits that separate the boys from the men.

Why are these companies right up there? They are there because they had a strong vision and a clear focus. All these companies have kept one eye on their growth and the other on the ever-changing business environment and kept evolving. This ensured that they could respond to challenges of new technologies, trends and changing customer needs. What's most important is the fact that they have braved and captured new markets to become transnational and have invested considerable resources to create powerful and enduring brands. This is similar to the story of some natural species that have continuously evolved and survived thousands of years of change, while others have become extinct.

Take the example of Wal-Mart. It started its retailing business with a single focus: to bring the lowest possible prices to its customers. Today, it is not just the world's largest retailer, it is also the world's

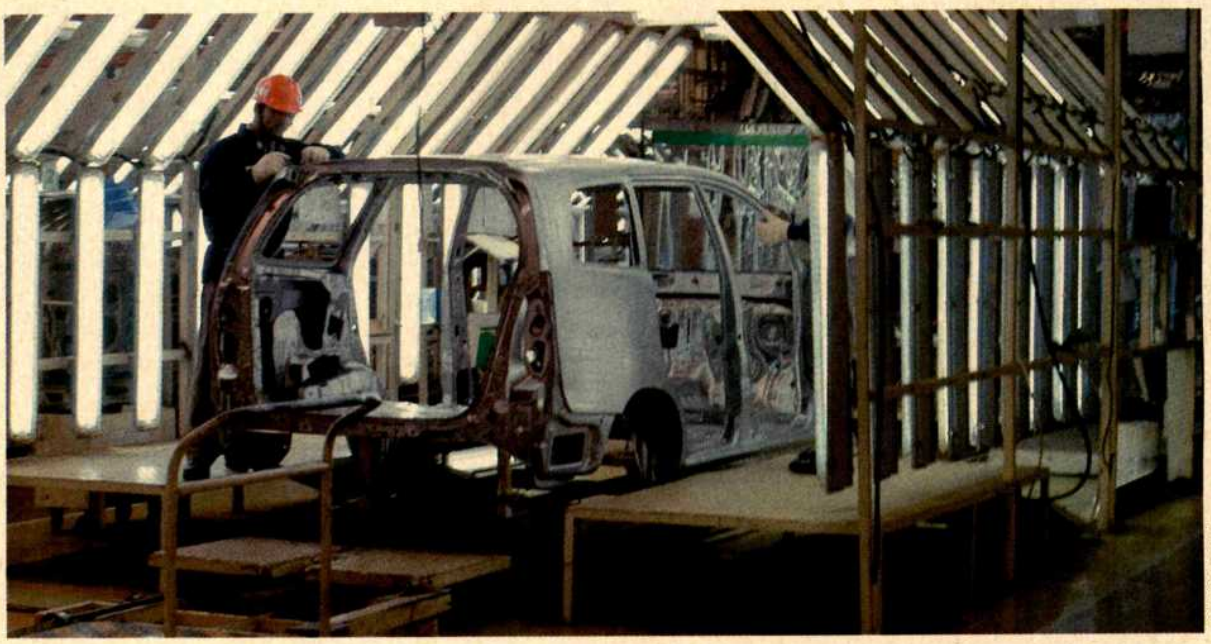
Over the next decade or so, several Indian companies will have acquired a considerable level of scale and competitiveness on account of a large and strong economy

largest company. Toyota Motors, through a constant focus on quality, innovation and process efficiency, is close to reaching the summit of international auto industry.

While we admire these companies, we must also learn from how they have managed to get to the top and stay there.

Asia has arrived on the world scene and is destined to be the growth engine of the world economy. Indian companies today stand at a very important juncture and will represent this new Asia, along with China, in the days to come. Globalisation has changed the current economic landscape and while it has opened up a box of opportunities, it also exposes us to several challenges. With trade barriers continuing to evaporate and access to new technology getting simpler, the world, in the not too distant future, will become a common marketplace. Everyone will compete for the same market and the same consumer and only the fittest would survive. For example, a Benarasi *sari,* which an Indian bride would wear, could be produced on a power loom in China. Fruits and vegetables at an American store can and are being produced at Indian farms.

So, what do Indian companies need to do to manage this change and move ahead? As our economy expands further, it will present everyone with ample growth opportunities. Though Indian companies are well placed to make the most of these opportunities, they will, at some point, need to move out of the comfort of their own backyard and explore new markets. I believe that over the next decade or so, several Indian companies will have acquired a considerable level of scale and competitiveness on account of a large and strong domestic economy. The natural transition from this stage will be the emergence of the Indian multinational. This could be achieved largely through a combination of acquisitions and exports. We have witnessed some of these developments at Mittal Steel, which has acquired steel plants and turned them around to become a truly global steel company. It is such combination of entrepreneurship and vision that will be required for growth.



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Companies that move into completely new job categories and business segments and create new demand will be able to seize growth and profit opportunities

In India, we have some very capable entrepreneurs, who have the ambition and can make it to the very top. I believe companies that can create their business models around delivering quality products and services while remaining cost competitive, will be at a distinct advantage when they move to new markets. The key, however, will be innovation and a global mindset. Companies will need to invest more and more in research & development and acquiring business know-how.

Indian companies will need to innovate new products and services or invent completely new product categories. As the world economy moves towards becoming a knowledge-driven one, Indian companies that can acquire knowledge quickly and adapt to or create new technology will have a clear advantage. Let us, for a moment, assume that there is technological parity and a level playing field across all markets, then the key will be innovation. Companies that move into completely new product categories and business segments and create new demand will be able to seize growth and profit opportunities.

Last, but not least, Indian companies must be able to create powerful global brands, which are one of the key drivers of growth for a top company. Powerful Indian brands will be those that cut across geographical and cultural borders and connect with consumers in the global market.

Possibly, no brand has done a better job of mining the potential of brand building than Samsung Electronics Co. A little over a decade ago, it was seen as a maker of low-end consumer electronics and a poor cousin of top Japanese consumer electronics brands. But a clear focus and investments in the brand have seen Samsung move up the value chain. Today, it is up there with the best in the world, and, according to the *BusinessWeek*-Interbrand survey of Top 100 brands 2005, has even surpassed Sony in terms of brand value. Another example is Google, a global brand built up in no time, riding on simplicity.

Can a product breakthrough, such as Apple iPod, be achieved in India and take the whole world by storm? Can an Indian pharma company be the first to invent a vaccine for AIDS? Can an Indian IT major create the next Windows? Having said that, we also need to keep in mind that the next decade will be critical for Indian companies to create a springboard for global operations. The government will play a critical role in this by providing adequate policy support and checking the infrastructure inefficiencies. It is only fair to say that we must learn to live in a globally integrated economy and be globally competitive before taking the big leap. We may be ready at the moment to make a mark in emerging economies, but the real challenge is to compete with the best in their very own territory. A policy environment that encourages a 360-degree approach to social and economic development of India will help prepare this ground. Only such an environment would give us thought leaders and entrepreneurs of tomorrow.

Will an Indian Company be amongst the world's 10 largest? We have a mountain to climb but all ingredients for that recipe are there and turning the Great Indian Dream into reality is only a matter of time. ■

The author is Chairman & Group Managing Director of Bharti Enterprises Ltd

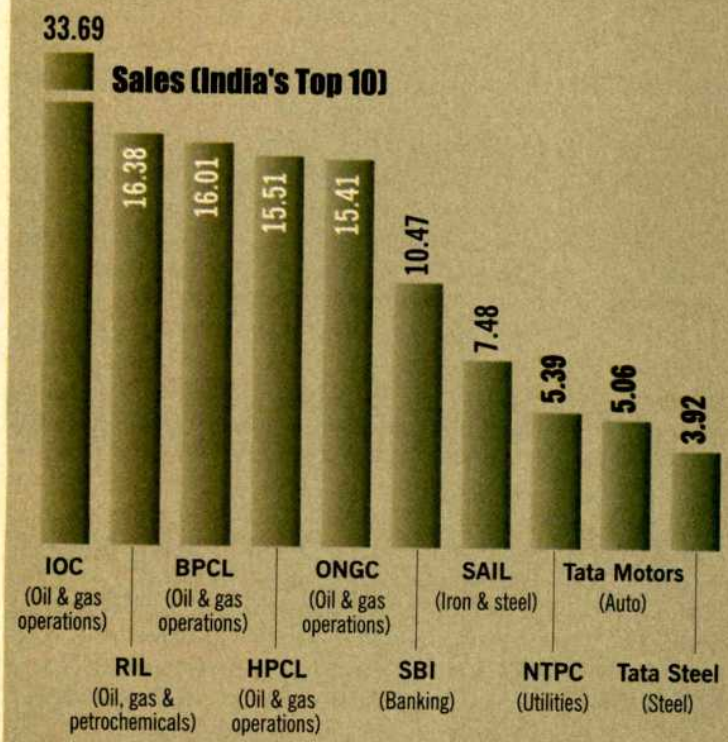
STILL A LONG WAY TO GO

Sales (World's Top 10)

US	Wal-Mart (Retailing)	285.22
UK	BP (Oil & gas operations)	285.06
The Netherlands/UK	Royal Dutch/Shell Group (Oil & gas operations)	265.19
US	ExxonMobil (Oil & gas operations)	263.99
US	General Motors (Auto)	193.45
Germany	DaimlerChrysler (Auto)	192.75
US	Ford Motor (Auto)	170.84
Japan	Toyota Motor (Auto)	165.68
US	General Electric (Consumer durables)	152.36
US	ChevronTexaco (Oil & gas operations)	142.9

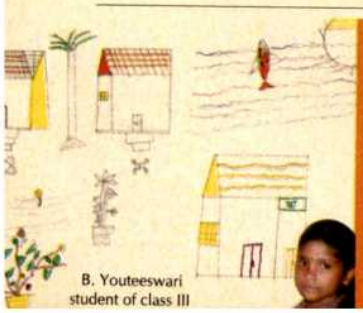
Source: *www.forbes.com*

Sales (India's Top 10)



Figures in $ billion

Source: *BT* 500, 2005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WHAT WILL IT TAKE To Make Made in India A Preferred Tag?

XERXES DESAI

FRANKLY, THE OFT RECOMMENDED objective of creating a powerful "Made in India" brand is somewhat akin to the mythical search for the Holy Grail: a profound concept, immensely desirable, inevitably inspiring, always elusive and, in reality, illusory. I say this not because it is beyond our grasp, but because time and trade are making the country of origin increasingly unimportant and, in fact, irrelevant.

That may sound irreverent, but consider the facts. There was a time when country of origin labels genuinely helped to build confidence among buyers, especially the general public. Today that role is played by brands. You do not buy a Sony because it was made in Japan but because it is a Sony product. When you buy an Apple or Microsoft product, you do not ask where it was made. In fact, the chances are that these products were made in China! Increasingly, many countries participate in creating a single product. Even Swiss watchmakers, successful in perpetuating the Swiss Made cachet, source components from Asia, requiring that only the watch movement and watch assembly, worth a fistful of dollars, be Swiss. But the final product sells for a fortune!

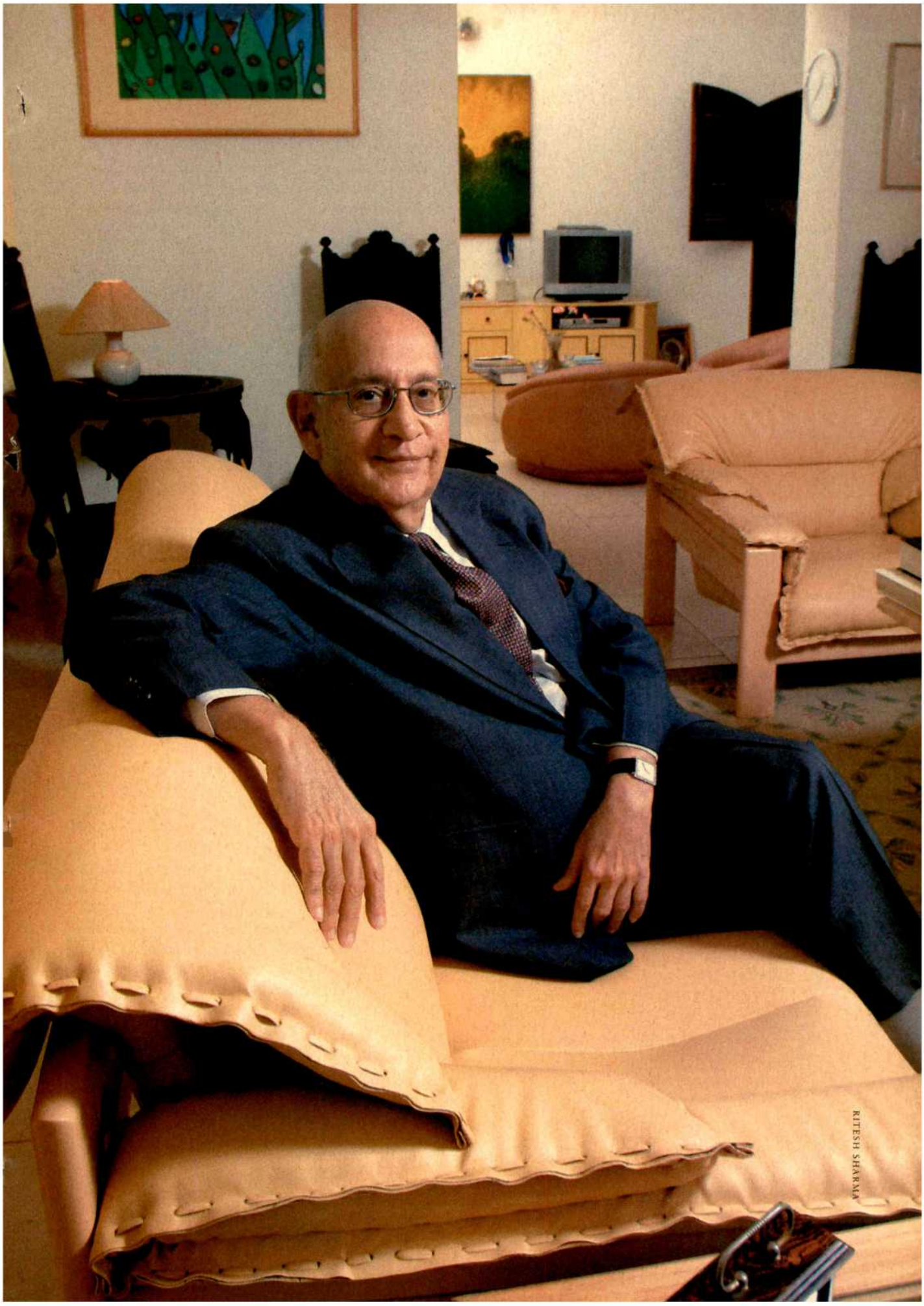
Country of origin labels are essentially relics of an economic imperialism that is both past and passé. If people still sing the country of origin tune, be assured it is a swan song. In fact, I believe that a time will soon come when many country of origin labels will be labelled as acts of deception—which is what they are, unless a very large proportion of value is added in that country (which most often is not the case).

Having said that, let me also admit that country negatives as perceived by people worldwide will always prove a hindrance to brand acceptance. Japan struggled with an adverse image after World War II, as have Taiwan, Korea and China in more recent times. And there's the rub as far as India is concerned.

India conjures up many negative images in the mind of the global common man. At best, India is an enigma. Space exploits, nuclear weapons, IT successes, the Taj Mahal and yoga co-exist with an image of a country backwardly rural, scarred by urbanisation, driven by religious and ethnic discords, riddled with corruption, its democratic institutions held hostage to criminals.

The fact is that we are a most heterogeneous country and media's preoccupation with the bad news can scarcely help. Public relations exercises and advertising will not change these seedy images with which foreign minds have been seeded. The reality itself must change. As Indians struggle to establish their brands and products in overseas markets, they are keenly aware that great brands do not bloom like lotuses out of malodorous pools.

Yet, Indians venturing to establish brands and products abroad have many things going for them. We have access to enormous talent—managerial, engineering, marketing, computing, design, and so on. We have an unerring eye for business. We are familiar with the institutions and processes of global commerce. We speak English. We emulate the lifestyles of the rich and famous in Europe and America and are at ease among them. And, thanks to many years of economic misrule at home, we have many sympathetic



RITESH SHARMA

members of the Indian diaspora who have acquitted themselves with distinction and are willing to do their bit for their country of origin. In this respect, country of origin still matters!

Fortunately also, the corporate executives with whom we deal have a more refined understanding of India and Indians. A global business class is emerging that is looking for strengths even as they are wary of others' weaknesses. They are keen on building transnational partnerships and relationships. And they are thinking long term.

It is for this reason that it often makes sense to grow foreign trade not through the brand route but through the product route: from supplying components to supplying sub-assemblies to supplying finished products. China wisely chose this route and is only now venturing along the brand path. For many of us in India, the route of launching our own brands, marketing our own products and seeking the shelf space of wary retailers must await better times—when there is a keener understanding among the common folk of other countries that heterogeneous India, like the Hindu Pantheon, has multiple avatars!

There is, of course, rather less honour, glory and money in making products or parts thereof for others. Riches and fame come with brands. But so also does risk. We are moving into a situation of oversupply as the multitudinous developing countries of the world choose exports as their route out of poverty. Competition will be ruthless. Mortality will afflict many corporations. Risk minimisation then becomes a cardinal principle. There is safety of sorts in taking marketing risks out of the paradigm. The focus, then, has to be the quality of the product, its cost, and the reliability of our business practices and principles. I get the feeling that not enough is being done at either governmental or industry level to ensure the quality of the products we export and the business practices that we espouse in dealing with foreign buyers. Exporters need to remember that they have an obligation both to themselves and to their country.

Launching a brand overseas is altogether another ball game. For one thing, you are no longer competing with underdeveloped, low-cost supplier nations but with powerful players in high cost, highly developed consuming nations. Your enemies are now much bigger, the cost of battle is much more expensive, and the outcome is survival. Here, there is no "live and let live".

Apart from requiring a deep understanding of consumer behaviour i.e., likely responses to the product and its positioning and promotion, as also having deep pockets, you won't get far with just another mouse-trap or even a better mouse-trap. Innovation is the name of the game. At one end of the innovation spectrum is a clever new way of meeting an old need as with xerographic copying machines, MP3 players and digital cameras. At the other end of the spectrum is creating a whole new need—as with computers, email and mobile telephony. But wherever you are in the spectrum, design is crucial. And design must become our destiny.

India has all the ingredients needed for becoming an important design centre: it has outstanding engineers and software developers; it has excelled in the design of industrial projects; it has a strong artisan culture, and it conducts much of its business in English, the international language of commerce. We now have to make the transition to designing excellent industrial products—sophisticated engineered goods.

The world is now witnessing the deconstruction of businesses and of manufacturing processes on a monumental scale. Going are the days of vertical integration. And with this disintegration at work, design is increasingly becoming a bought-out item. This phenomenon not only opens out the huge door of design but it creates an opportunity to go beyond designing to creating well designed and (sometimes) futuristic products.

Here is an opportunity that is waiting to be seized. I believe that if there is anything that can dispel the negatives currently associated with India, it will be this: creating innovative products for the developed nations of the world. And it is a pity that so little has so far been done to develop this capability. It is to be hoped that Indian industrialists (how many of our business

We are moving into a situation of oversupply as multitudinous developing countries of the world choose exports as their route out of poverty. Competition will be ruthless

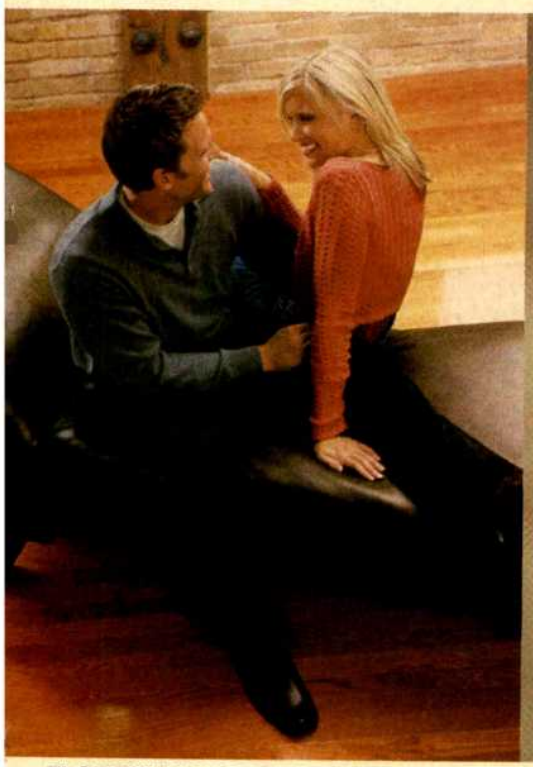
I believe that if there is anything that can dispel **the negatives currently** associated with India, it will be creating innovating products for the developed nations of the world

tycoons have fled the advancing Chinese typhoon?) will shed their fears of manufacturing, see the opportunities that design and manufacturing present and take giant leaps forward.

Unfortunately, the reverse has been happening in recent years. Millions of industrial jobs have been lost and the industrial workforce has shrunk. I strongly maintain that developing a strong and rapidly expanding industrial base is the surest way of creating jobs and national wealth and finding our way out of poverty. And much of that industrial base has to be used to make products for the rich people of rich countries. Progress can only be tardy when that industrial base is used solely or even chiefly for making products for the poor and the miniscule rich of our country. We have to follow the pug marks of the Asian Tigers. And progress will be very much worse than tardy if those who take decisions in big business houses take fright from the rough and tumble of manufacturing and leave the field to their smaller brethren in India or to the Chinese behemoth.

Perhaps *Business Today* can help the process of making India a great design and manufacturing centre. We may not be able to make the Made in India a preferred brand. But we should certainly be able to rescue it from being a deferred brand. ■

The author is former VC and MD of Titan Ltd



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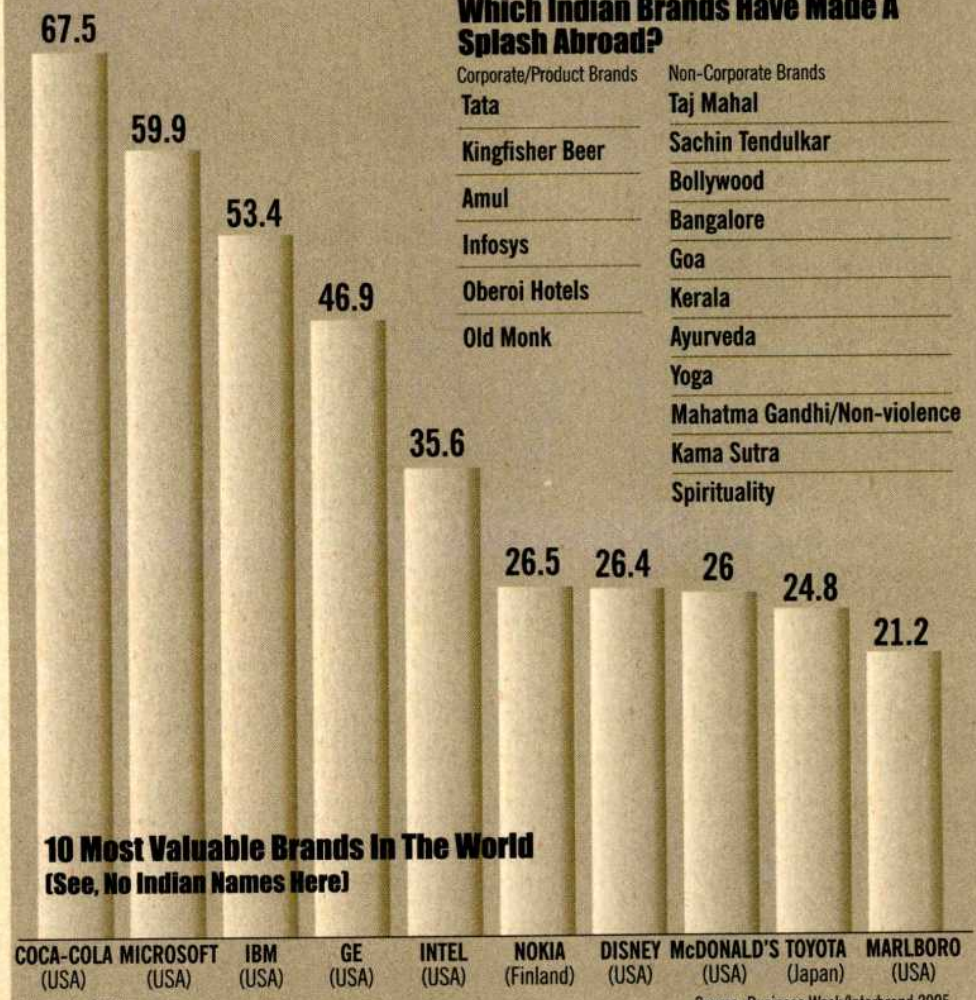
BRANDING INDIA



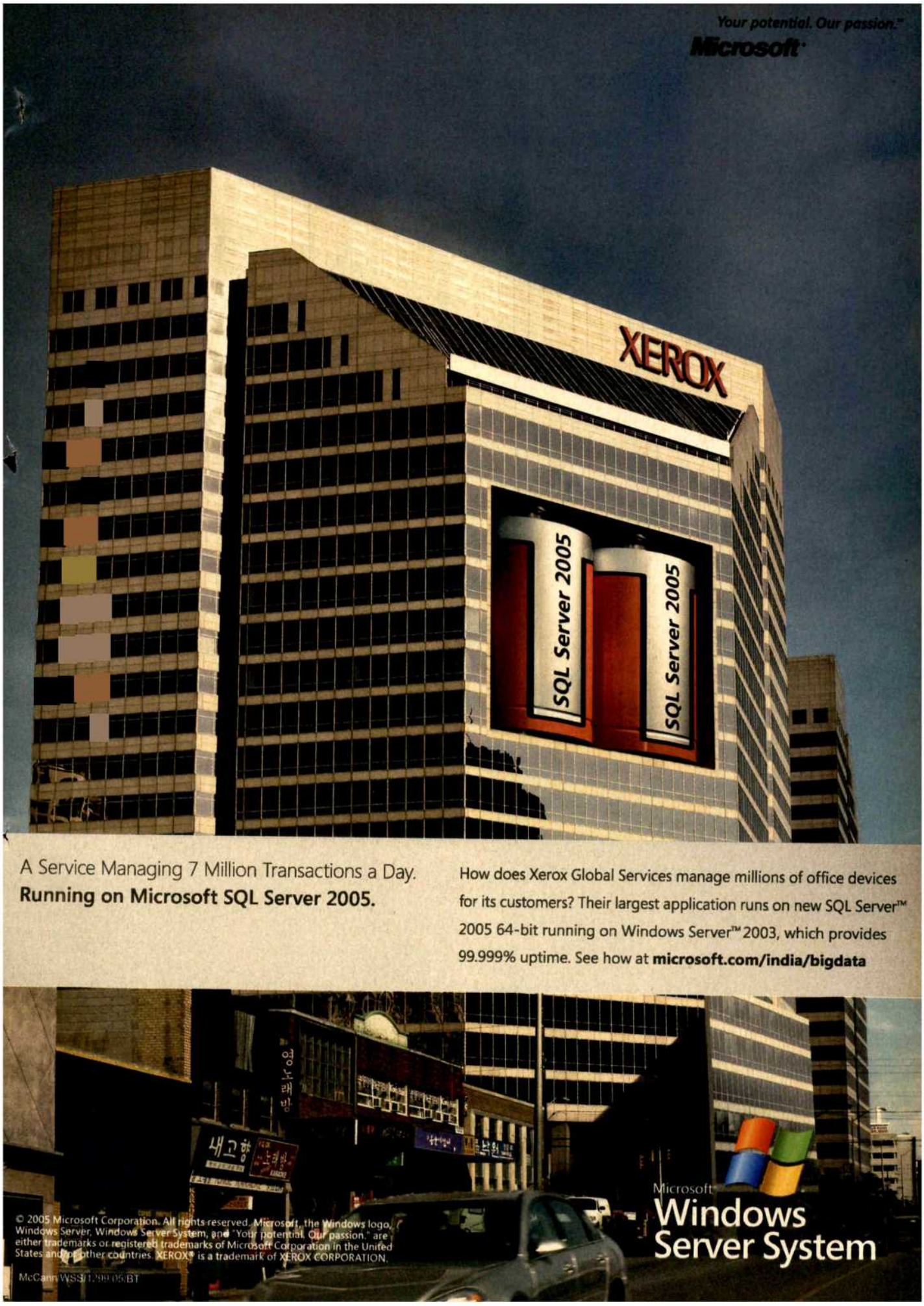
Which Indian Brands Have Made A Splash Abroad?

Corporate/Product Brands	Non-Corporate Brands
Tata	Taj Mahal
Kingfisher Beer	Sachin Tendulkar
Amul	Bollywood
Infosys	Bangalore
Oberoi Hotels	Goa
Old Monk	Kerala
	Ayurveda
	Yoga
	Mahatma Gandhi/Non-violence
	Kama Sutra
	Spirituality

Which Are The 10 Most Popular Brands In India?

*Countries indicate origin of brand

Source: BT Estimates



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WHAT WILL IT TAKE For The Indian Capital Market To Lead The Country's Growth?

RAKESH JHUNJHUNWALA

THE ROLE OF MARKETS IN THE DEVELOPMENT of economies and societies is significantly under-appreciated and misunderstood. The general impression is that markets are only for the rich, and hit the vulnerable sections of the society adversely. In my opinion, to the contrary, markets are an essential institution for development and the longevity of that development. This has been vindicated across generations and across geographies—the countries with the highest GDPs and highest per capita GDPs have well-developed markets and well-developed regulations. Even resource-rich countries without developed markets have ended up with poor economic fundamentals in the long run as witnessed in West Asia until recently. This is now well recognised the world over, and, hence, barriers to trade, capital and skills are coming down in this new era of globalisation, which has resulted in higher productivity, higher consumption, higher prosperity, lower poverty; and has controlled inflation in a benign range—much to the relief of the poor sections of society.

Markets bring about structural changes in the economy. One of the reasons that Communism did not sustain was the absence of free market mechanism to achieve efficient allocation of capital. Markets empower creative destruction, whereby the inefficient units are destroyed by the advent of more efficient and innovative units. Markets enhance competitiveness in an economy by reducing barriers to entry and by allowing better price discovery. Markets make sharing of risks, pricing of risks and transfer of risks possible. Markets empower entrepreneurship by providing capital and risk taking ability.

The oft discussed and debated economic liberalisation programme in India to me means:

- Customer is King; Achieved by competition and adequate supply
- Efficient allocation of capital; The primary function of the capital markets
- Government to exit the business of running businesses; The elusive phenomenon of privatisation.

To my mind, the crux and heart of the liberalisation programme is the development and the supreme role of markets achieved either by having formal markets, or the supremacy of the market mechanism. As a corollary, the term markets should include not only the organised markets, but encompass a wider perspective of markets, a *laissez-faire* environment without government interference. Even in the absence of a formal market, government participation in business leads to sub-optimal business environment.

A relevant example of futile government interference in the market mechanism was its attempt to revive the sick textile mills in the country under the banner of National Textiles Corporation (NTC). Twenty-five years and Rs 5,000 crore later, we have not only not succeeded in reviving the sick mills,

Most people have an adverse bias towards equity markets as being speculative and a gambling den. Little are they aware that they are desecrating the temples of capitalism

but have also offered unfair competition to the healthy mills; in the process damaging the entire industry. "NTC has no future unless the government gets out of it completely," says T.S.R. Subramanium, former Cabinet and Textile Secretary. We have not only been unable to protect jobs, but I think we have stifled the prospects of one of India's largest industries and destroyed many job creation opportunities. This is a prime example of interference with the market mechanism of creative destruction. The same can be said of the jute industry, too.

Markets can be efficient only when we realise their importance and consciously make them an institution. Institutional frameworks for markets enhance the longevity of the wealth creation process. In their absence, we breed complacency, inefficiency and wastage. For example, we all know the challenges to the consumer and the stunted growth in the telecom sector till the state had a monopoly. But once a fair policy framework and regulation by TRAI (Telecom Regulatory Authority of India) were in place, we are now adding more mobile subscribers per month than China.

India's growth and growth potential are also influenced by its markets. All barriers and constraints to markets have resulted in wrong allocation of resources, inefficiency, lost opportunities and incentives to vested interests. We have seen dramatic improvements in areas where markets have developed and are transparent, efficient and have effective regulation.

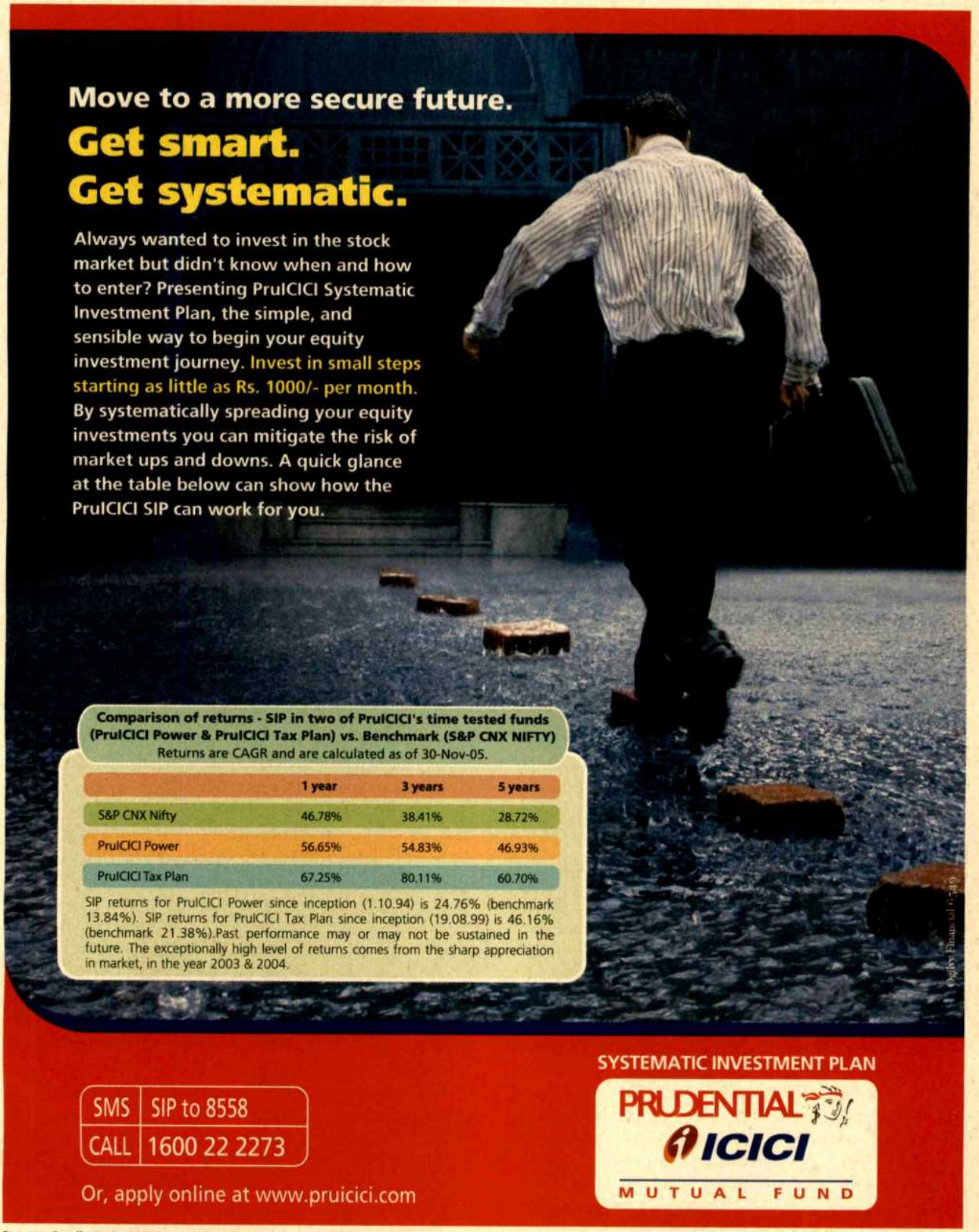
Finance is the fuel that fires all furnaces. Financial markets and financial eco-systems are the most crucial markets for an economy, though the least understood and appreciated. Most people have an adverse bias towards equity markets as being speculative and a gambling den. Little are they aware that they are desecrating the temples of capitalism that ensure efficient allocation of capital and provide risk capital for entrepreneurs. One of the primary reasons for the cutting-edge innovation and scalability of US corporations is the availability of risk capital and an environment for exits for those who fund the risk capital primarily because of the development of equity markets.

Take the case of India's equity markets. There is a sea change over the last decade. With electronic anonymous order book trading, dematerialisation, enhanced corporate governance and robust, but fair regulation, the liquidity, breadth and scalability of Indian equity markets have leapfrogged. This change in the markets has enabled India to attract more than $9 billion (Rs 40,500 crore) of net FII (foreign institutional investor) investments in 2005. Moreover, the effective distribution of mutual funds has started playing a vital role in helping to channel incremental domestic savings into equities. Today, India has a culture of and environment for providing risk capital, especially as Indian markets can provide exit opportunities for sizeable capital, which encourages private equity and venture capital investments. This has laid an effective foundation for the provision of capital to Indian entrepreneurs—so vital for the secular growth of India.

On the other hand, where markets have failed to develop well, the respective economies have borne a high cost for the same. India has a very thin and illiquid debt market for government securities as well as bonds. This has led to an implicit illiquidity premium being embedded in the yields. The futile attempt to prop the Japanese banking sector has resulted in a prolonged quagmire in the country's economy, as its banking system's weakness has been transmitted to the rest of the economy. In Japan, the process of creative destruction was stifled and, hence, the economic weakness persisted for nearly two decades.

Steel prices in India had skyrocketed, but since no artificial controls were enforced, increased supply by imports and by domestic capacity expansion has resulted in bringing down the prices subsequently. It is true that increase in prices hurt, but the hike also attracts fresh supply, which eventually brings down prices. Banning of short-selling has made equity markets more vulnerable. The futile attempts of pricing kerosene at a subsidised rate is unfortunately leading to adulteration of fuels across the country by mixing kerosene with diesel.

Lack of labour reform, which will bring about



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India needs to arrive at a consensus to make labour more moblie and productive by not unnecessarily protecting jobs. This is most vital to achieve double-digit economic growth

labour flexibility, may act as a protector of labour that is already employed, but acts as a deterrent for further employment and, hence, leads to lesser opportunities for the poorest sections of the economy. One of the reasons that the US has one of the lowest unemployment rates in the world is the *laissez-faire* nature of its labour markets. We Indians need to really think about this aspect and arrive at a consensus as to how we can make labour more mobile and productive by not unnecessarily protecting jobs. This is the most vital requirement for India to achieve double-digit economic growth, manufacturing competitiveness and for providing jobs to the crores of young Indians ready to enter the job market.

One of the most vital reasons for the lack of a second Green Revolution in India is the constant government interference in all aspects of agriculture, be it land supply, agricultural inputs, pricing/selling mechanisms etc. Lack of organised markets restricts opportunities. Artificial price setting distorts the free market mechanism and leads to inefficient resource allocation. The minimum support price (MSP) for wheat and rice results in imbalance of cropping area patterns to the detriment of other vital crops. Fertiliser subsidies result in imbalanced use of urea compared to other fertilisers and, hence, lead to structural deterioration of soil. The APMC (Agriculture Produce Market Committee) markets result in prejudicial pricing and lead to throttling of the price discovery process. The regulatory inhibitions of allowing corporates to participate in primary agriculture has led to a paucity of value-added downstream agricultural output in spite of being one of the largest producers of fruits and vegetables. Due to unavailability of market mechanism for movement of agricultural output, appropriate supply-chains have not been built. In spite of the Ricardian Theory of International Trade, the US and the EU are inflexible on agricultural subsidies, which are restricting global agreements on free trade.

If one has to conceive a utopian situation, where there is great faith in the free market mechanism and a commitment to ensure longevity to the wealth creation process in an economy, the following factors are a condition precedent to the stated goal of efficient markets:

- Free markets with low entry barriers and low exit barriers;
- Homogeneous/standardised tradable products/units;
- Efficient information dissemination;
- Effective price discovery mechanism;
- Suitable financing mechanisms for market participants;
- Systems for risk management, and prevention of malpractices;
- Effective Multi-dimensional Regulation; and
- Crisis Management plans.

We must remember what Raghuram Rajan says in his book *Saving Capitalism from the Capitalists:* "Markets are not just a tool for the rich, they make opportunities available to all sections of the society." He gives a powerful example of the difference micro-credit makes to a labour woman in Bangladesh, and how, in the absence of a free market mechanism to deliver micro-credit, she is exploited. Contrast this with the example of easy access of funds to a student in the US from a search fund that enables him to create significant wealth for himself. If India can create an efficient model for delivery of micro-credit at market-determined rates, we will see a revolution in India.

In summary, we as a society, and especially our polity, have to realise that markets are like the weather—we may not like them, but we have to bear them. The liberalisation of the 1990s is now bearing fruit, and we must continue on the path to reforms. Markets are the ultimate levellers, and always have self-correcting mechanisms. The development of markets and market mechanisms is the primary manner by which the spirit of enterprise of India's talented and skilled people will be unleashed. This, in my opinion, is the paramount need for India to win the war against poverty and for the country to be an economic superpower. We must appreciate and respect the market mechanism. ■

The author is Partner of Rare Enterprises Ltd and a stock market investor

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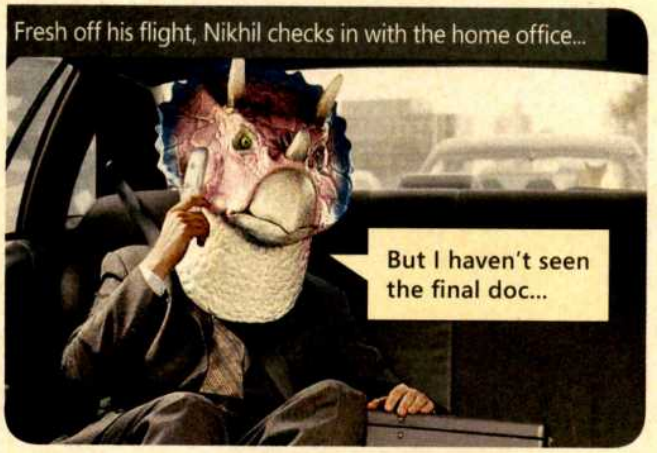

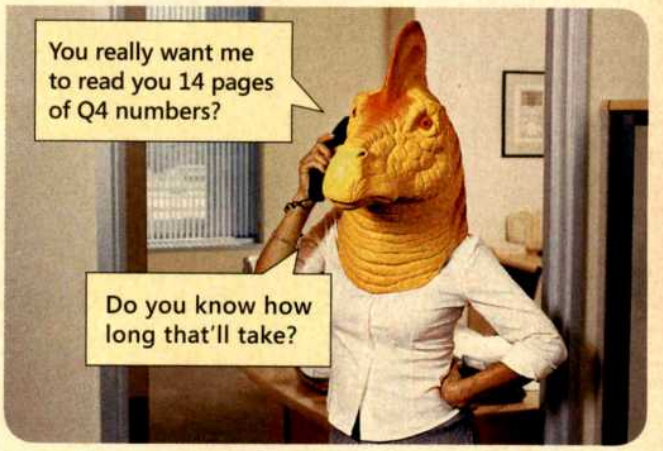

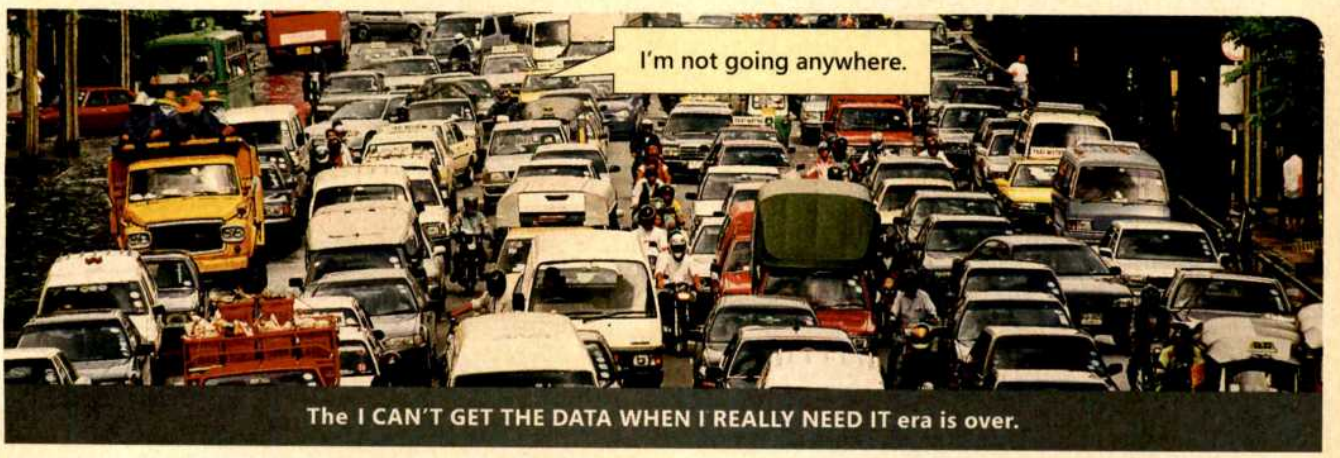

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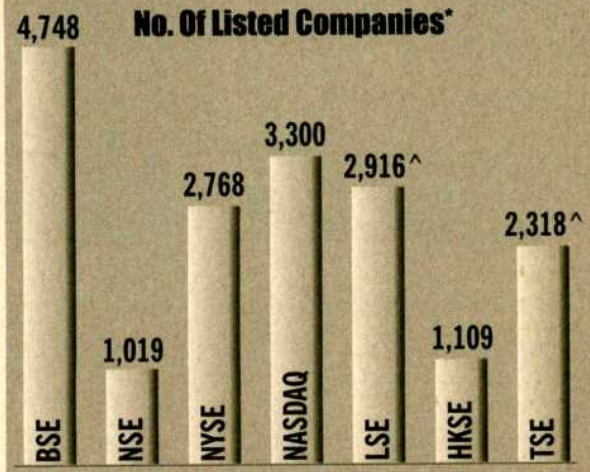
THE CALL OF THE MARKET

No. Of Listed Companies*



* As on Oct. 2005 ^ As on March 2005 TSE: Tokyo Stock Exchange

Total Market Cap

BSE: Rs **24,69,210** crore

NSE: Rs **23,14,607** crore

NYSE: Rs **9,31,50,000** crore

NASDAQ: Rs **1,65,18,600** crore

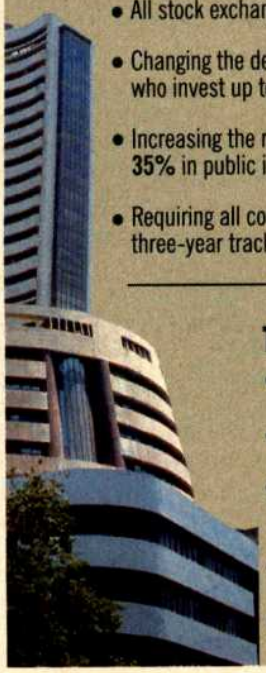
LSE: Rs **2,80,00,000** crore

HKSE: Rs **41,85,450** crore

TSE: Rs **15,799.5** crore

Making It Safe For The Small Investor

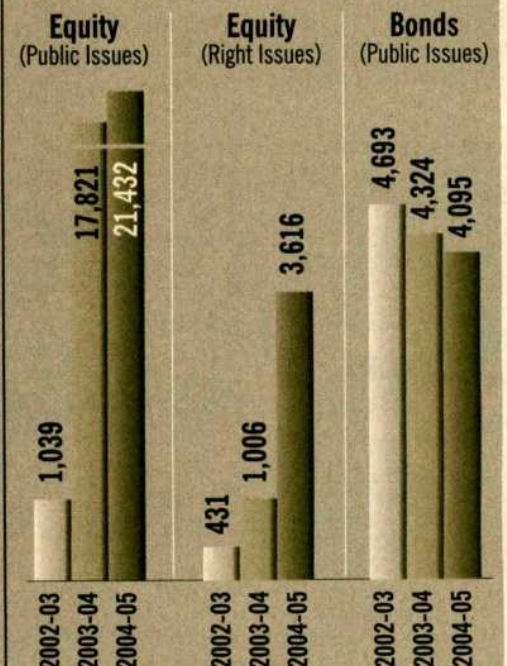
- All capital market intermediaries to get SEBI registration and be governed by it
- All stock exchanges to maintain a settlement guarantee fund
- Changing the definition of small investors for IPOs from those who invest up to Rs **50,000** to those who do up to Rs **1** lakh
- Increasing the reservation for small investors from **25%** to **35%** in public issues
- Requiring all companies filing IPOs to have at least a three-year track record



Things That Still Need To Be Done

- Better and appropriate disclosures
- Speedy and adequate punishment to offenders
- Compensation to investors for losses incurred due to fraud
- Better and efficient processes for IPO application
- Increased role for independent directors

Funds Raised In India Over The Last Three Years



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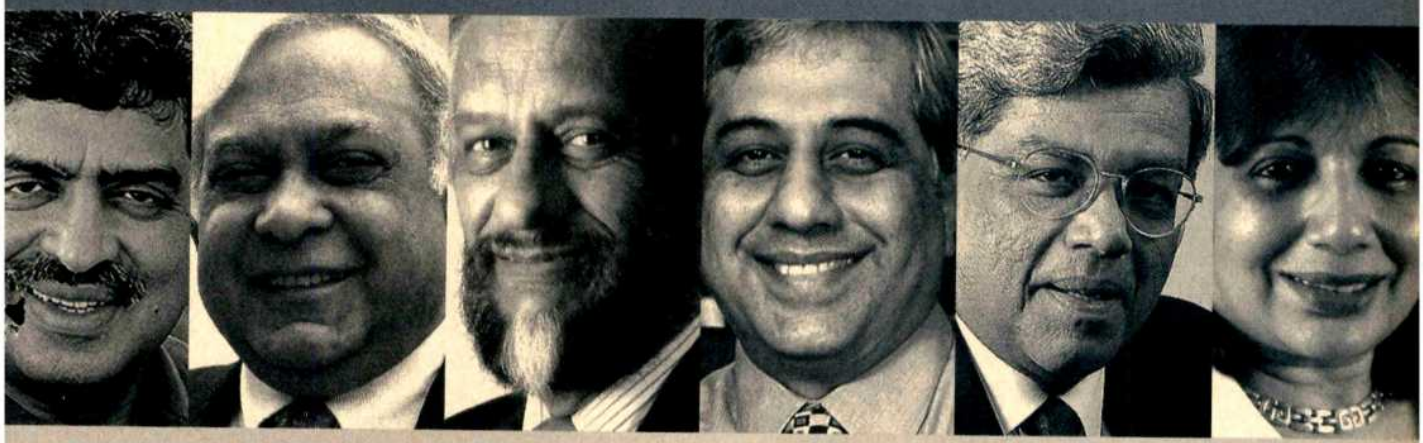

INSIDE

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On What will it take to make our cities truly world class?

SUBIR RAHA
On What will it take to secure our energy future?

R.K. PACHAURI
On What will it take to ensure clean water for all?

F.A. VANDREVALA
On What will it take to electrify all our villages?

DEEPAK PAREKH
On What will it take to provide brick and mortar housing to every Indian?

KIRAN MAZUMDAR SHAW
On What will it take to ensure healthcare for all?

WHAT WILL IT TAKE To Make Our Cities Truly World Class?

NANDAN M. NILEKANI

PROPER URBANISATION IS ONE OF THE MOST pressing challenges facing India today. It is inevitable that over the next 20-30 years, India will double in urbanisation from 30 per cent to 60 per cent. This will be at a time when we also have the largest pool of young people in the world. The combination of urbanisation, the demographic surge, globalisation, and the economic growth that consequently will be unleashed, present the most significant opportunity for India to reach a developed status. But for this, we have to get our cities right. Classical concepts on urban matters are based on implicit assumptions of slow steady growth, not the explosive torrent of people rushing into each of our metropolitan areas. To make our cities world-class, we will have to think of a new paradigm.

Inclusive and participatory: The bane of cities has been the stark contrast between the rich and the poor. This is a global phenomenon. In India, it is lavish skyscrapers jostling with slums. In the urban sprawl of the United States, it is violent inner cities surrounded by posh suburbs. In Paris, it is a rich city centre surrounded by alienated immigrants in suburban high-rise ghettos. A world-class city will have the least amount of such differences, and in its design and architecture will be meant to be inclusive. This will be supported by a democratic process based on participation and transparency of governance, so that everyone feels they have a voice. This sense of inclusion will also be the source of public safety and peace. An important factor in creating inclusion is the city retaining enough land in its possession, either for public spaces and utilities or for providing facilities for the economically weaker sections.

Real-time cities: The cities of the future will have to be planned, managed and choices made in real time. This means that they will truly be simulated in great detail on a digital platform. Today's technology allows us to do that. The combination of GIS and GPS and the granularity of data that can be captured, stored, processed and searched, will allow us to have a full replication of a city in a computer. This creates unprecedented ways of improving city management. For example, the volume of cell phone signals on the roads can be used to detect traffic congestion in real-time. All public services will be delivered electronically wherever possible. Every citizen will have a smart card, which is designed to make his interaction with the city and its agencies hassle-free. Real-time planning will allow the modelling of the impact of new vehicles, new malls or new apartment blocks, and help in zoning, land use, building bye-laws and variable pricing of scarce public services.

Carbon-neutral: As the onslaught of global warming and climate change becomes more acute, the world-class city will have to be carbon-neutral. This will mean that for every carbon emission due to vehicles and factories, there will be a carbon-sink to neutralise it. This will be managed in real-time, with an internal market for carbon credits.

Alternative energies: A truly world-class city will have to get at least half of its energy from alternative sources. The small area and high density of population will make it possible to power the city through hydrogen and solar power and other sources of renewable energy.

Water-neutral: To address the challenge of water

If we truly want to make our cities world-class, we need to break out of the usual refrain for building more flyovers and broadening roads and adopt a new paradigm

and the impending battles over water rights, cities will have to be designed to be self-sufficient in water. This will mean designing a water-spine, either of rivers or lakes and other catchment areas. It will mean implementing rainwater harvesting and water recycling. It will require real-time tracking of ground water levels. The water-spine will have to be designed both for efficient storage in times of low rains as well as be capable of handling the overflow in times of floods.

Transport-spine: No world-class city can be even thought of without pervasive public transport. In fact, the public transport-spine will have to be designed first with commercial, industrial and residential areas planned later. While there will of course be roads, and buses and private cars, there will be a real-time pricing to choose between public or private transport based on congestion analysis. The different modes of transport will be integrated and designed to provide seamless end-to-end travel connectivity for the citizen.

Supply-chain: Cities are ultimately engines of commerce, connected as they are to the rest of the country by airports, ports and roads and telecommunication links. They take in human capital and raw materials and create products and services. This will require sophisticated supply chains to be thought of in their design. This could be the supply chains of knowledge, or that of its industrial out put. It could well be the supply chain of what is required to keep the city running well. Understanding these supply chains and the impact of that on the infrastructure and the environment will be the key to modern city design.

Local: While the cities are global, the day-to-day management will have to be all local. This means that the empowerment of people at the level of the ward or locality. It will mean the citizens of an area making a choice over how their budgets will be spent. It will mean common public schools of high quality where the parents of the locality will have a say. The same real-time models that will help the city to do long-term, large-scale planning can be used for local planning and simulation so that ordinary citizens can make informed choices.

Migration: One of the principal reasons for ill-planned cities is the under-estimation of migration. Never in human history has urbanisation happened so fast and with such numbers as is happening today in India and China. Such numbers make all plans and estimates for public services and land go haywire. This migration at both ends of the spectrum has its consequences. At one end, the rural poor migrate to cities looking for jobs. While they are actually very resource-light in their impact, their acceptance for living in the most appalling circumstances creates the overflow onto public spaces as we see in Mumbai. At the other end, the educated migrant with his white-collar outsourcing job, becomes an apartment-owner and a car-owner in his 20s. This leads to the traffic congestion you see on the streets of Bangalore. Part of the solution, of course, is to develop not one or two cities, but 100 cities across the country, so that the load of migration can be absorbed. Individual city planners have, of course, no control over that. However, they will need to have a strategy both to absorb the rural poor as well as the new middle class that will throng their city.

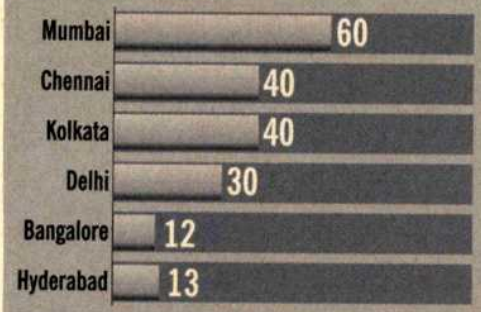
Culture and creativity: If cities are not just going to be centres of business activity, but also throbbing with innovation, they will have to actively encourage creative folks. This will require a culture of tolerance and allowing diversity to flourish. The uneasy tension that exists today in our cities between traditionalists and modernists, will have to give way to a more tolerant framework of live and let live. A world-class city will have a significant number of its inhabitants from certainly all over the country, and perhaps from all over the world. This will require a melting pot, which allows an outsider to quickly get into the groove and get assimilated rather than be always treated as an outsider.

To those of us fighting the daily battles of our urban lives, many of these ideas may sound utopian. But if we truly want to make our cities world-class and make sure that the majority of our people can aspire to a decent standard of living and quality of life, we need to break out of the usual refrain for building more flyovers and broadening roads, and adopt a new paradigm for defining a vision for of our cities. ■

The author is CEO, President and MD of Infosys Technologies Ltd

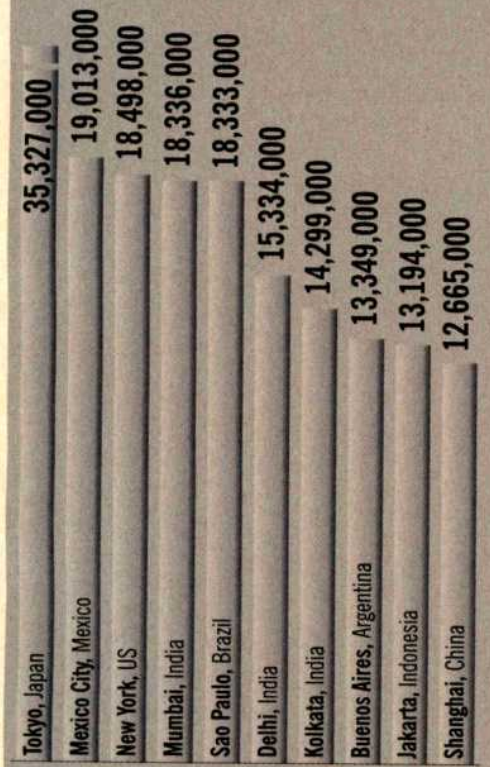
AN URBAN MESS

Shanty Towns All



Figures in percentage of population living in shanties
Source: *www.citymayors.com*

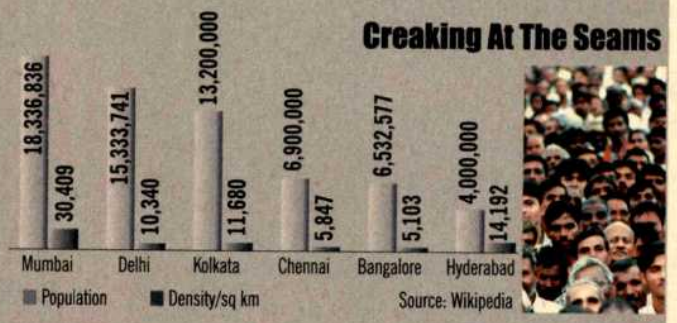
Most Populous Cities In The World



Other cities in the top 30: **Los Angeles (pop: 12.15 million, rank: 12), Beijing: 10.85 million and 18, Moscow: 10.67 million and 20, Paris: 9.85 million and 21, London: 7.62 million and 27**

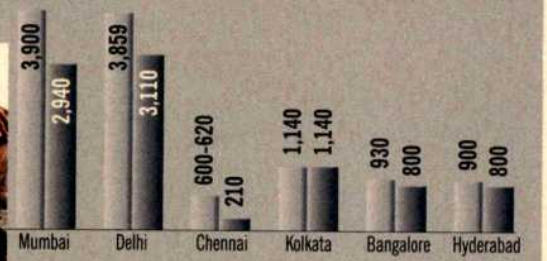
*Estimated population
Source: Population Division of the Department of Economic and Social Affairs of the United Nations Secretariat

Creaking At The Seams



Source: Wikipedia

Water



Source: *BT* estimates

Sewerage

Mumbai: 100-year-old drainage network discharges **25 mm**/hour against requirement of **50 mm**/hour.

Delhi: Discharge capacity of **1,433 MLPD** is considered adequate.

Chennai: 19th century drainage system on the brink of collapse.

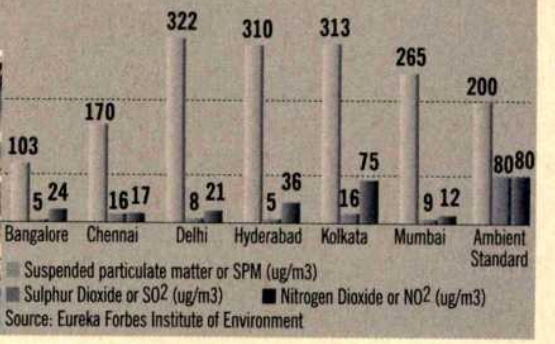
Kolkata: 969-km network can discharge **2,000 MT**/day; totally inadequate.

Bangalore: Good underground sewerage infrastructure, but lacks maintenance.

Hyderabad: Discharges **450 MLPD** of waste; can handle only one-fourth of that.

Source: *BT* estimates

Pollution



Source: Eureka Forbes Institute of Environment

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WHAT WILL IT TAKE To Secure Our Energy Future?

SUBIR RAHA

THE ISSUE OF SECURING INDIA'S ENERGY independence has reached the portals of the Rashtrapati Bhawan. While launching Oil and Natural Gas Corporation's Golden Jubilee Celebrations on August 14, 2005, President Dr A.P.J. Abdul Kalam stressed the need to achieve energy independence by 2030, a point that he reiterated later in his address to the nation on Independence Day eve. The challenge of building India's energy security goes far beyond the obsession with oil security.

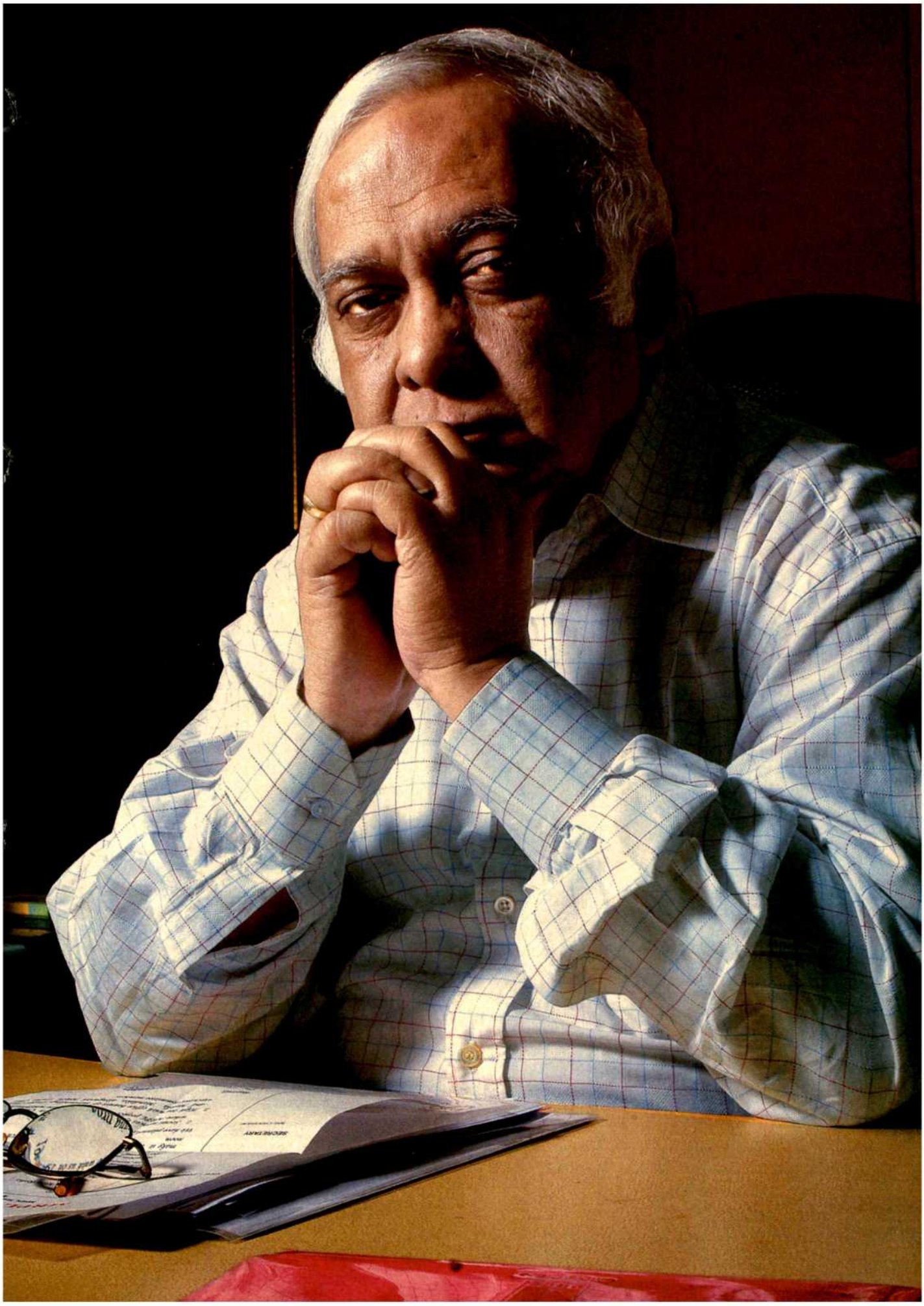
I believe that India has the potential to be energy-independent. We do have huge reserves of coal and lignite and gas hydrates, but at present beyond the reach of mining techniques. To achieve that goal, we will have to take a holistic approach on fuels—conventional, renewables and the emerging ones, conversion and conservation, and finally, transmission and distribution and, of course, the key issue: pricing.

Let's look at domestic potentials. In the conventional category, we have thermal—both coal and nuclear energy—hydroelectric energy and oil and gas. All these fuels have their own advantages and disadvantages. For instance, coal-based energy has several serious problems—relatively low heat value, inefficiency in conversion, high ash content and difficulties in transportation and residue disposal. But there are huge positives, too: we have massive reserves of coal that can last a few generations; and recent developments in clean coal technology—and I refer here to surface and underground coal gasification in particular—has meant that the issue of poor quality coal, and the consequential environmental pollution, can be efficiently managed.

The underground coal gasification technology solves both the problems of ash disposal and gaseous pollutants—the ash is left behind in the pit and the carbon dioxide can be sequestered. A new technology power plant at the well-head can use the low pressure gas for power generation with reasonably high efficiency. Underground gasification also offers the additional advantage of near-complete conversion of coal into gas, eliminating the need to leave out considerable quantities as in the conventional mining process. Additionally, coal gasification can produce both (synthetic) oil and gas.

However, to achieve its true potential as one of the cheapest forms of energy, there is a need for cost-efficient management of the mining chain—from leasing of mines to environment-friendly exploitation. The State, as the sovereign owner of mineral resources, should set only a token royalty and zero tariff on non-mineable coal and lignite so that the huge investments in gasification, generation and transmission yield market-oriented profits. In the middle- to long-term, coal and lignite can become an effective resource.

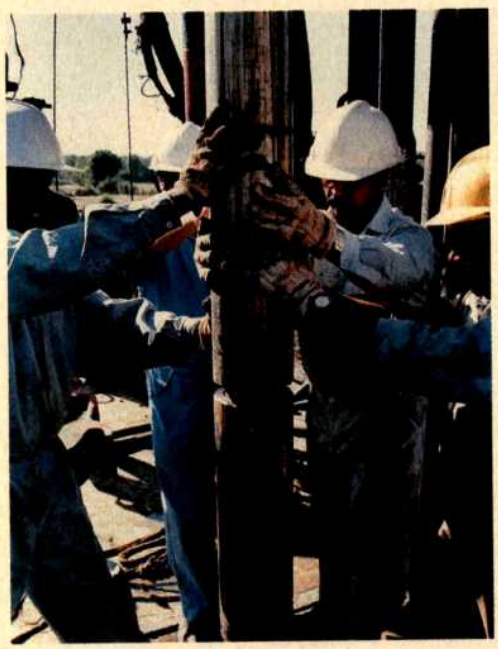
Now that India is reaching an understanding with the Nuclear Suppliers' Club, and technology barriers are being lifted, nuclear power will become another major source of energy for India. The safety issues—relating both to the reactors as well as the residues—have to be tackled. The reserves of thorium provide the



It is generally accepted that globally "Peak Oil", that is the maximum potential reserve accretion, is already behind us, and "Peak Gas" may happen in the next two decades

long-term and the longest-term answer. This is also true of hydro-electric power if the problems of environmental degradation, geological instability, and silting of dams can be resolved over time.

However, oil and gas—the last item on India's conventional energy list—is only a short- to mid-term resource. With less than 0.5 per cent of the world's reserves, more than 15 per cent of the population, per capita consumption at one-third the global average, and compounded annual growth in demand exceeding 4 per cent, India will remain a net importer. It is generally accepted that globally, "Peak Oil", that is, the maximum potential reserve accretion is already behind us, and "Peak Gas" may happen in the next two decades or less. Further, the new oil and gas coming from offshore, deep sea discoveries are much more expensive. Costs of drilling rigs and special steels have nearly trebled in recent years, and even then, availability is a constraint for all operators. More than two-thirds of the oil is used by the transportation sector—all road and most of rail transport in India is fuelled by diesel and, to a much lesser extent, by petrol and CNG. With the rapid growth in aviation sector, jet fuel demand is surging.



Yet, all kinds of distortions have crept into the oil value chain. The policy of cross-subsidisation in power tariffs and inevitable power cuts have resulted in almost all industrial units, hospitals, hotels and commercial establishments running their own captive power plants on diesel—a most wasteful way practice. Add to that the inefficient technologies used in conversion, for instance, in autorickshaws, agricultural pump sets and heavy vehicles, etc., and the wastage goes up. Administered pricing of oil, gas and electricity has inescapably led to utter indifference to fuel conservation. After the oil shock of 1973, the OECD (Organization for Economic Cooperation and Development) countries achieved 15 per cent saving in their fuel consumption; but precious little happened in India.

As a commercial alternative, renewable sources of energy are still some way off. Solar energy will become a viable alternative when the price of photovoltaic cells comes down. Wind energy is a supplement; geo-thermal and wave energies are still at the laboratory stage. Renewable energy sources will generally be only supplements till massive, cost-efficient power storage devices become available, and the base load will have to come from thermal energy. Therefore, energy independence will come from the creation of mass transit systems operating on thermal electricity. For inter-city movements, the railways have to be expanded and improved. For intra-city movements, the cheapest option will be to bring back the trams or trolley-busses, or other such innovative solutions. Alternative options, requiring higher costs and larger lead times, are underground or elevated railways.

So what do we get from an electric-powered mass transportation system? We get clean, safe, reliable transport capacity for hundreds of millions of tonnes of freight and tens of millions of people on a 24x7 basis for centuries to come, exploiting deep coal and lignite, thorium and, subject to R&D success, gas hydrates. We also cut costs and pollution by eliminating the need for mass-scale captive generation as is now happening.

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INTERFACE 540001-A

If we can stop the diesel-based parallel power generation industry, we can free a lot of diesel for our transportation needs, and that itself will mitigate our import dependence in oil

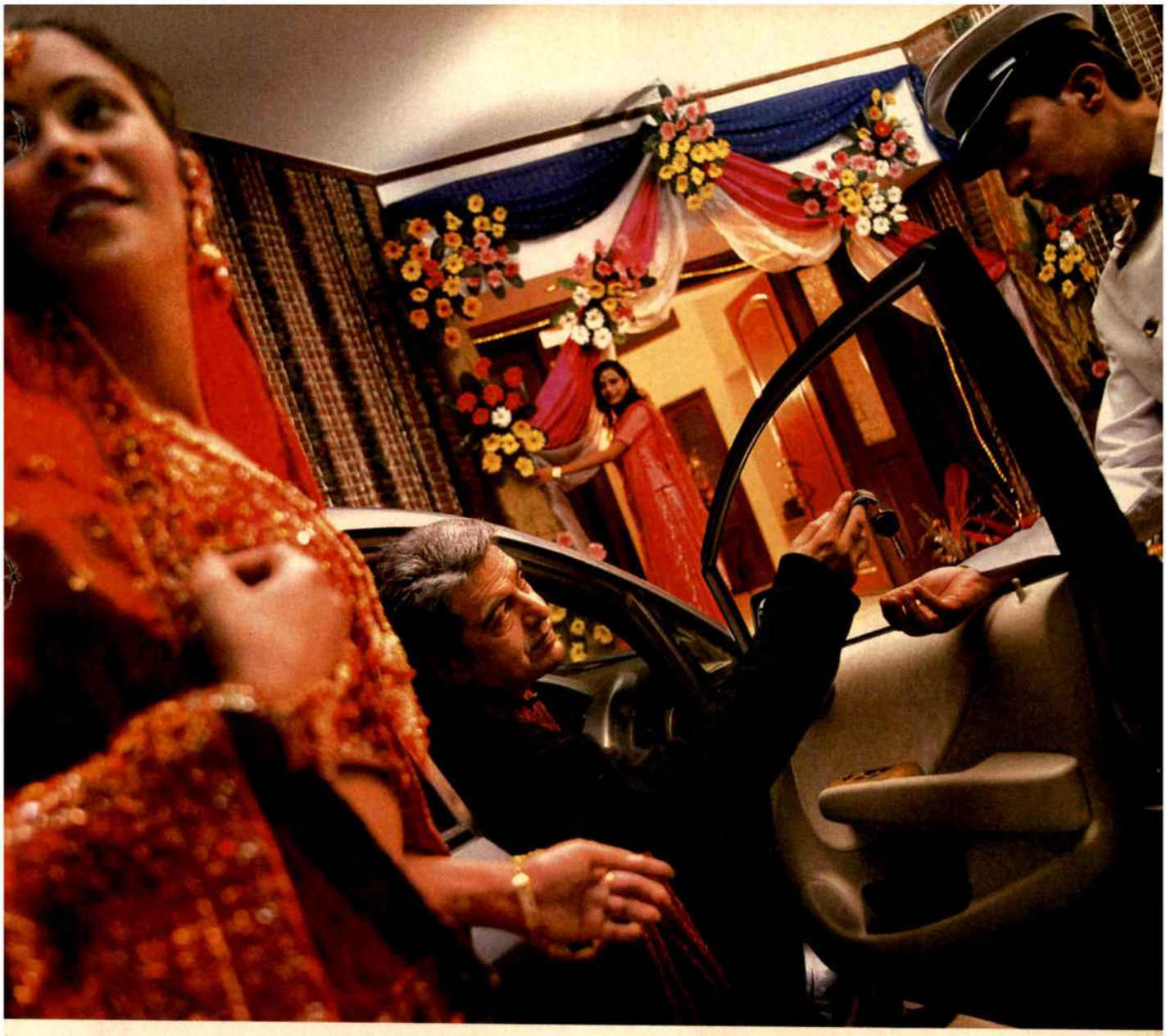
What about the newer or emerging technologies? Can they provide a solution for India's energy need for the future? Here we are talking of gas hydrates, hydrogen, bio-diesel and fuel cells. I believe that once we have the necessary breakthrough in research and development, gas hydrates—crystalline methane on the sea-bed—can easily take care of a major portion of India's energy needs. We have huge deposits of gas hydrates in the Andaman & Nicobar Islands, on the east coast, and also on the west coast. The technological challenge lies in bringing the crystals to the surface in controlled conditions. Since these crystals are formed under high pressure and low temperature conditions in deep waters, any attempt to lift these results in the crystals dissolving prematurely. We are working with an international consortium on this R&D as the lead company under the National Gas Hydrates Programme.

Hydrogen and fuel cells are still at the laboratory stage and pricing is an issue. Bio-diesel is another supplement. If we can stop the diesel-based parallel power generation industry, we can free a lot of diesel for our transportation needs, and that itself will mitigate our import dependence in oil and gas. Another fuel, coal-based methane (CBM), will soon become a reality because we have scheduled commercial production in early 2007.

Thus, energy independence will come from a combination of coal and lignite, hydel, thorium, renewables and indigenous as well as imported oil and gas. In oil and gas, we will remain a net importer till global reserves run out. But given the other resources that we have, we may become net exporter of energy for generations beyond.

To achieve that—development of alternate fuels, better conversion and conservation technologies and better transmission and distribution—there is a need for huge investments. Whether that comes from domestic or foreign firms is not the issue. The issue is to have bankable projects. To have a bankable project, we must have a national political consensus to clean up the pricing anomalies. When you have artificial pricing, the real value of the goods is not perceived; this invariably results in wastage, besides one of the worst black money systems, perhaps next to that from narcotics. We can become energy independent only when we have cleaned up our energy pricing. ■

The author is the Chairman of ONGC Limited, and the article is based on his free-wheeling chat with Business Today



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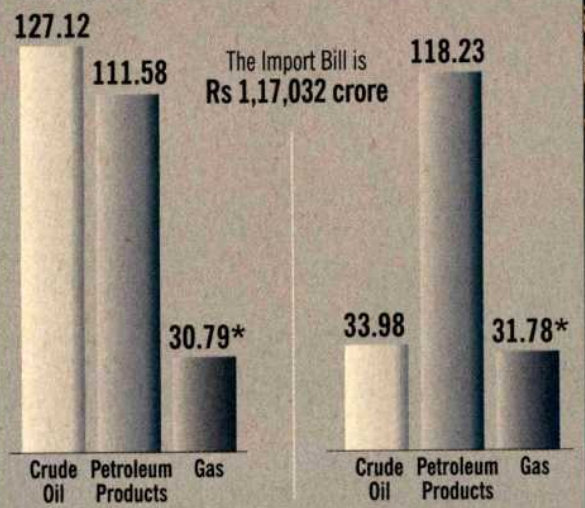
NEEDED: A BOOSTER SHOT

A Snapshot Of India's Oil Economy (2004-05)

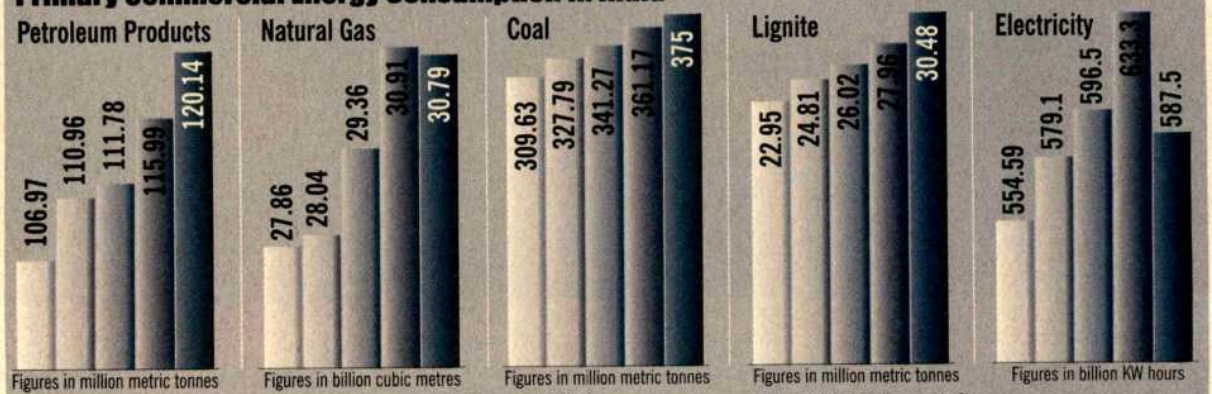


The Immediate Future
By 2011-12, India Will Need

- Coal Energy: 254.93 MTOE*
- Lignite: 22.05 MTOE*
- Crude Oil: 185.40 MT
- Gas: 57.60 cubic metre
- Nuclear Power: 14.16 billion KW
- Hydro Power: 18.54 billion KW
- Wind Power: 45,000 MW
- Others: 35,000 MW
- Total Requirement: 723.93 MTOE*

MTOE: Million tonne of energy
Source: Planning Commission and Ministry of Non-Conventional Energy sources

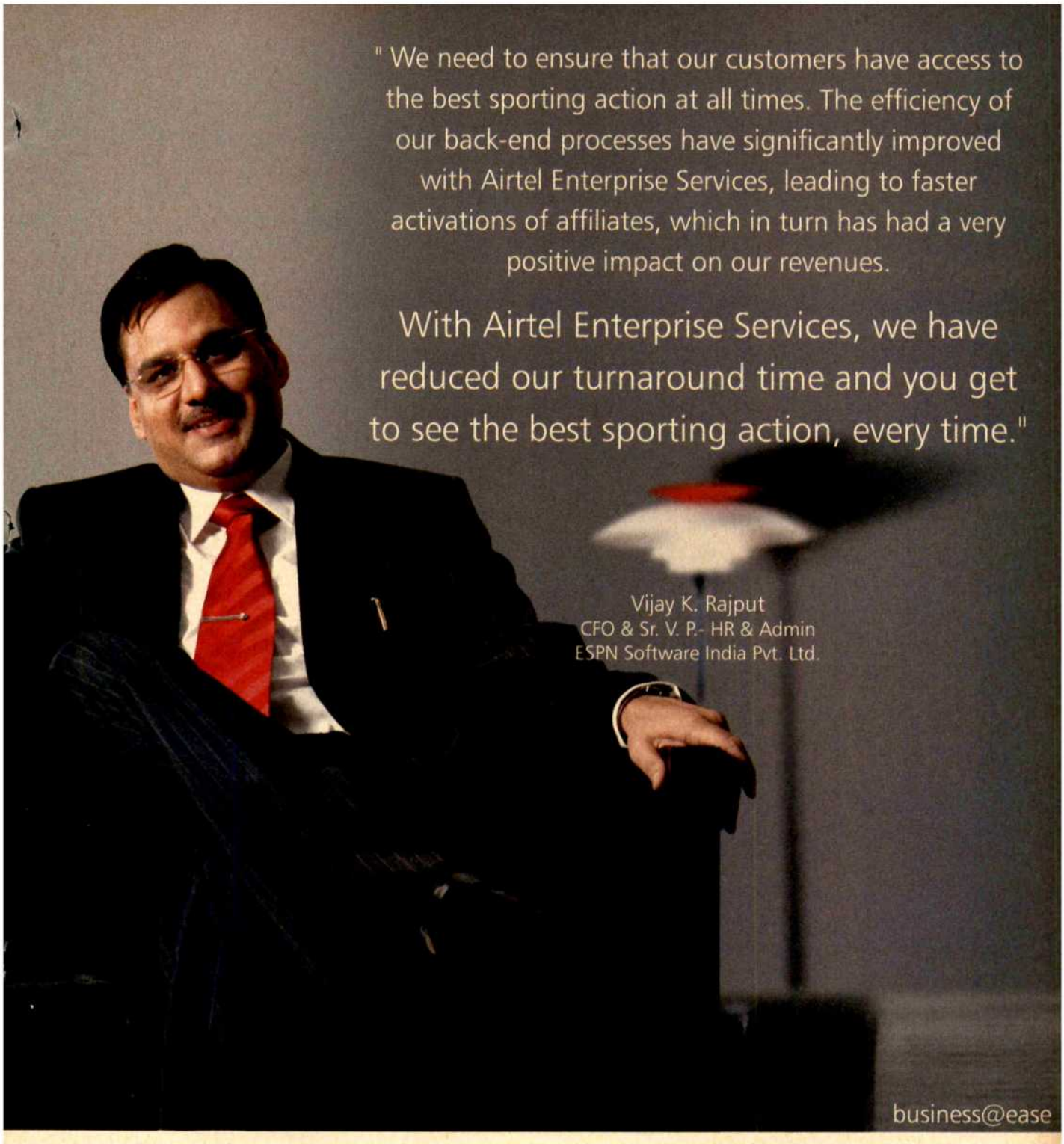
Primary Commercial Energy Consumption In India



Source: Ministry of Finance/Economic Survey

The Search For Oil Equity Abroad

	SUDAN	IRAN	YEMEN	VIETNAM	RUSSIA
Company name:	OVL	IOC	Reliance	OVL	OVL
Oil Field:	Greater Nile	South Pars	Block 9	Lan Do	Sakhalin I
Investment:	Rs 3,600 cr	Rs 4,400 cr	N.A.	Rs 980 cr	Rs 8,800 cr
Year:	2003	2005	2005	2002	2001
Stake:	25%	40%	25%	45%	20%
Share of Oil/Gas:	3 MTPA	9 MTPA LNG	N.A.	N.A.	2.8 MTPA



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WHAT WILL IT TAKE To Ensure Clean Water For All?

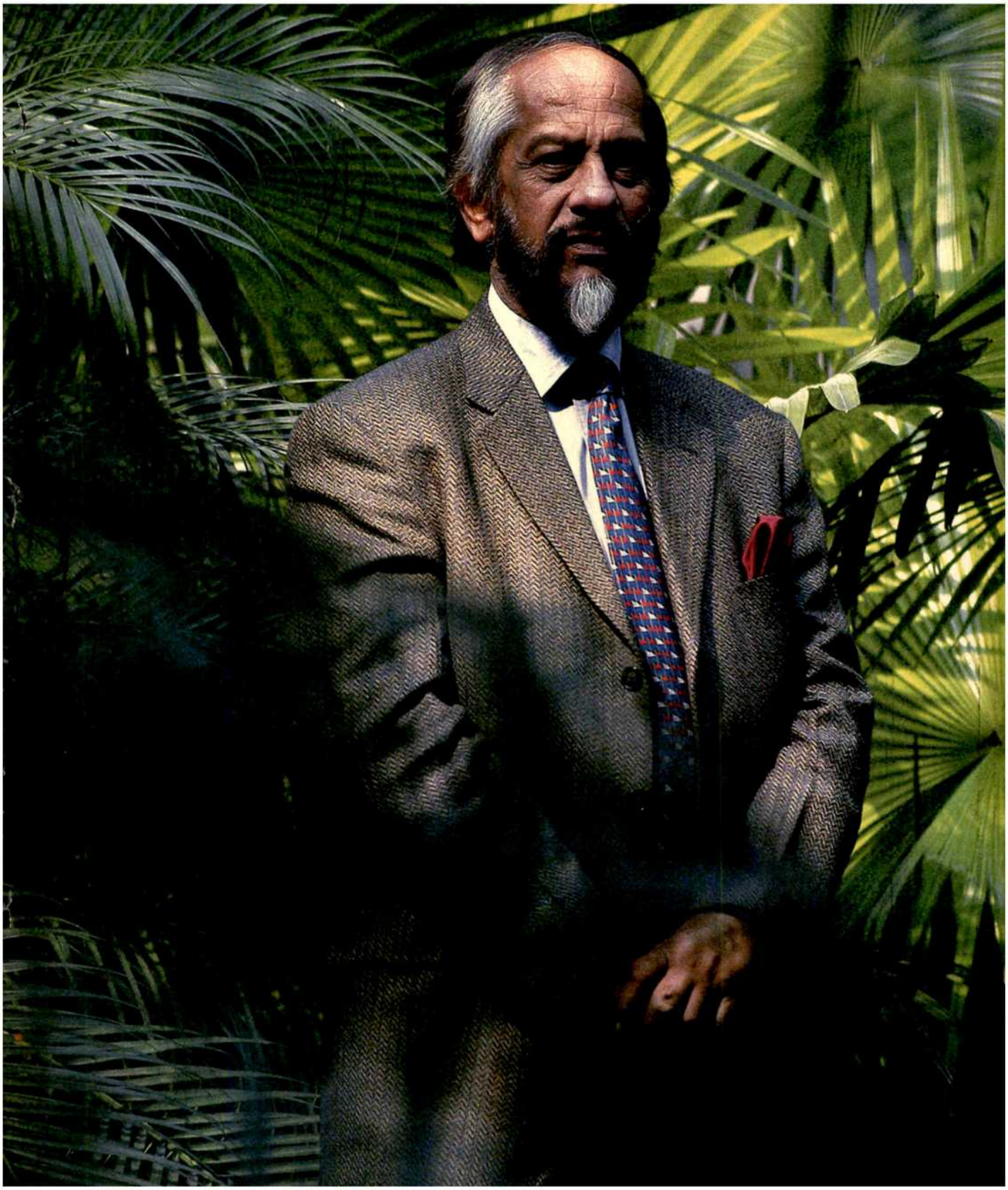
R.K. PACHAURI

THE ISSUE OF WATER AND ITS AVAILABILITY IS not merely a question of economics or the physical challenge in the satisfaction of very basic human needs, but it also has cultural and, in several respects, religious dimensions. To evaluate what needs to be done for making water available to all in this country, we need to go back in time perhaps several thousands of years and also go across the globe to fully comprehend the global nature of the challenge of making water available to every citizen of this planet.

Policies and strategies for new forms of management of water resources and any attempt to bring in principles of good business management in this sector in India evoke an extreme emotional response. We have to appreciate that this is so largely because our ancestors who settled on this subcontinent essentially set up habitations around the major waterways, which provided sustenance for human beings as well as cattle and other animals that were seen as a source and symbol of prosperity. It is no surprise, therefore, that the very first centres where civilisation flourished on the Indian subcontinent were those that were located around the major river systems of this land. With an extremely favourable ratio of water resources to the number of human beings whose needs were to be met, water scarcity was totally unknown to those who inhabited this land. This vital gift of nature that was bestowed in abundance on the India of 5,000 years ago became, therefore, a God-given blessing that no government or management structure had any right to interfere with.

This situation unfortunately has changed drastically over the years, and more so in the last few decades with rapid growth of our population, a much more resource intensive form of agriculture and rapid development of the Indian economy as a whole. The balance between generous water availability and modest human needs that justified total absence of market forces in the management of water was fully justified perhaps a century ago. But things have changed drastically since. In the short period of 50 years between 1947 and 1997, the availability of water per year in India declined from around 6,000 cubic metres per capita to a little over 2,000 cubic metres in 1997. Projections for the future as carried out by TERI in its major study called GREEN (Growth with Resource Enhancement of Environment and Nature) India 2047 indicate that several areas of the country that have adequate water resources and availability today would suffer from water scarcity by the year 2047 and large areas would become water-stressed. Clearly, a very different approach to the management of our water resources is called for if we have to meet the growing demand of our expanding economy and meeting the very basic needs of an expanding population.

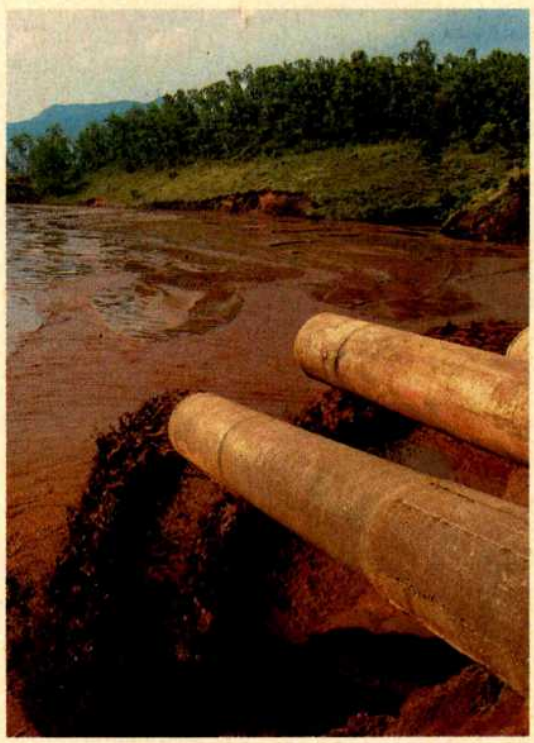
In some respects, the words of Samuel Coleridge in his famous The Rime of the Ancient Mariner of "water, water everywhere nor any drop to drink" is relevant across the globe. Less than the 3 per cent of the world's water is fresh, while the rest is seawater and, therefore, undrinkable. Of this 3 per cent, over 2.5 per cent is in a frozen form, locked up largely in



The rapidly increasing demand for water by Indian society can be met neither in quantity nor quality unless a radical departure is made to the existing policies and practices

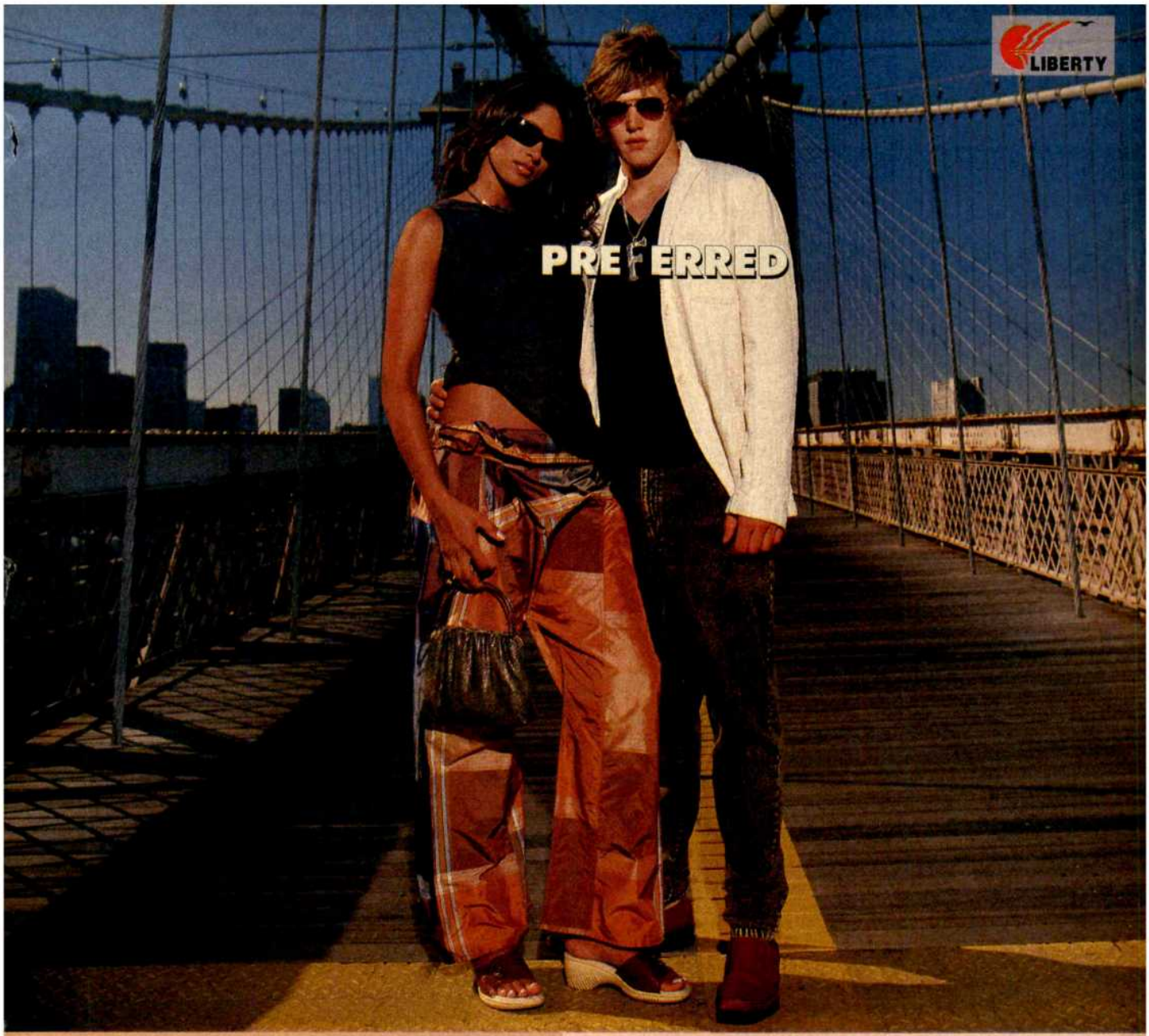
Antarctica, the Arctic and as glaciers on our mountains, generally inaccessible to the human race. What we are left with is the balance 0.5 per cent from which not only do we have to satisfy the needs of the human race, but also the demands of an increasingly stressed ecosystem, which needs water to survive. Water problems across the globe are, therefore, likely to become far more serious than we have experienced thus far.

The largest use of water in this country is for irrigation in the agricultural sector. We use well over 80 per cent of our water for agriculture as opposed to a slightly lower percentage in China and Egypt. In contrast, France uses a little over 10 per cent and the UK well under 5 per cent for agriculture. This, of course, is a direct function of the pattern of rainfall, which is far more uniform in several parts of the world and abundant enough to permit agriculture round the year. Other sectors in India that are major users of water are the electric power industry, which requires water for hydroelectric stations and as a coolant in thermal power stations. An increase in industrial activity has placed growing demand for water for several industrial processes. Similarly, many industries such as those dealing with food, beverages and pharmaceutical products require water as an ingredient in finished products for human consumption. Finally, water is also used as a medium for waste disposal. The excessive abuse of our river systems and lakes is an unfortunate example of excessive use of water for waste disposal.



Water quality in our river systems has reached crisis proportions. The quality of river water as pointed out in the GREEN India 2047 study is monitored at 480 stations under different programmes in the country. On the basis of these measurements, the quality of water is classified along five different classes, with class A representing water fit for drinking without conventional treatment but after disinfection. Class E, on the other end, is fit only for irrigation, industrial cooling and controlled waste disposal. The total coliform count in Indian rivers, has risen steeply in recent years, and standards are being violated in a large number of cases. Some of the worst affected rivers in the country are Sabarmati and Khan, in which the biochemical oxygen demand (BOD, a measure of food for bacteria found in water) values were greater than 20 milligrams per litre in 1997. The BOD value of water in Elangabeel lake in Assam and Ulsoor lake in Karnataka is more than 7 times the maximum permissible limit. Major sources of water pollution in India are city sewage and discharge of industrial waste. The sewage released from cities increased from an estimated 5 billion litres a day in 1947 to around 30 billion litres a day in 1997. Facilities for effective treatment of sewage represent only 10 per cent of the quantity generated.

Based on these facts, it can be concluded that the rapidly increasing demand for water by Indian society can be met neither in quantity nor quality unless a radical departure is made to the existing policies and practices established in this sector. In general, government departments responsible for water management and supply have largely bred



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Technological possibilities that can bring about **revolutionary improvements** in water usage range from drip irrigation in agriculture to water conserving toilets

ineffective and inefficient management of this resource. As a result, not only is there unhealthy overuse of water for several applications, but polluting industries and cities dumping sewage are able to get away in the absence of effective penalties for violating standards and regulations and a lack of incentives for proper action.

The introduction of market principles for the management of water is generally resisted and condemned by civil society and various communities, because the availability of water is seen as a God-given right which no operators of markets or business have any licence to interfere with. Yet, in the absence of proper pricing signals, it is unlikely that the right technological solutions will emerge and be disseminated widely enough in any society. Technological possibilities that can bring about revolutionary improvements in water usage range from drip irrigation in agriculture to water conserving toilets that use recycled water in our towns and cities. Yet, none of these is likely to be adopted and persevered with by consumers, unless there is a price attached to inefficient consumption. There are also massive leakages and wastage in the public supply and distribution of water, which again would get plugged effectively if agencies responsible for the management of water evaluate and act to reduce the economic loss involved. In other words, some business principles must govern the supply and distribution of water.

SHOME BASU

The big challenge in moving to such a scenario lies in convincing the public that in the ultimate analysis, they would be the main beneficiaries of market principles applied to water management.

Another aspect that requires the use of appropriate market instruments is in respect of pollution of water. The huge economic loss that society incurs because polluters only evaluate their narrow private gains while dumping large quantities of pollutants into our waterways, needs radical change. Penalties for water pollution must match if not exceed the cost imposed on society. The worst sufferers in this regard are a large number of poor people who cannot buy bottles of factory processed water and poor fishermen who have nothing to catch other than tonnes of sewage in our dead rivers. There is enough legislative back-up for effective action and punitive measures for polluters in this country. The major weakness lies in an effective institution that can transparently and honestly ensure compliance with the law, and thus ensure net benefits to society.

As a concluding concern, it might be mentioned that the impacts of climate change on India could adversely affect the availability of water resources and their even distribution during different periods in the year. Hence, there is an urgent need for adapting measures by which Indian society can minimise the adverse effects of climate change, particularly as they relate to the water regime in the country. Water for all would remain an unfulfilled dream unless the government, the media, business and civil society work in partnership to bring about a total revolution in our thinking about this vital resource and in its essential management. If there is a sector where public-private partnerships need to be put to test, it has to be in the water supply system in our country. ■

The author is Director General of TERI

THE ESSENCE OF LIFE

Hand in Hand

Many people still don't have access to clean water and sanitation.

HDI Rank		Population with sustainable access to improved sanitation 1990	2002*	Population with sustainable access to an improved water source 1990	2002*
62	Russia	87	87	94	96
63	Brazil	70	75	83	89
85	China	23	44	70	77
93	Sri Lanka	70	91	68	78
127	India	12	30	68	86
	DEVELOPING COUNTRIES	33	48	70	79
	Least developed countries	23	35	51	61
	Arab States	61	66	83	84
	East Asia and the Pacific	30	49	71	78
	Latin American and the Caribbean	68	75	81	89
	South Asia	20	37	71	86

Figures in per cent *Latest available data released in 2005 Source: UNICEF, WHO

India's Report Card

Population with sustainable access to cleaner water in rural areas:

79%

Population with sustainable access to cleaner water in urban areas:

95%

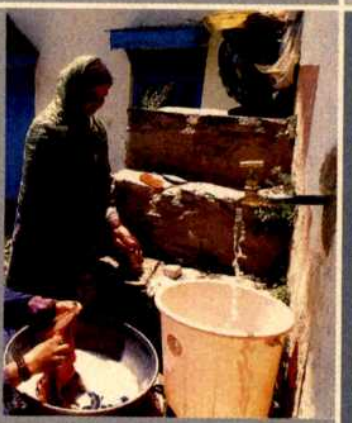
Urban population with access to improved sanitation:

61%

Source: UNDP

The Health Equation

Lack of sufficient quantities of clean water can lead to:



Water-borne diseases: Caused by water contaminated by human, animal, organic or chemical wastes.
COMMON DISEASES: Cholera, typhoid, bacillary dysentry, polio, meningitis, hepatitis A and E.
THE REMEDY: Treat or boil water before use.

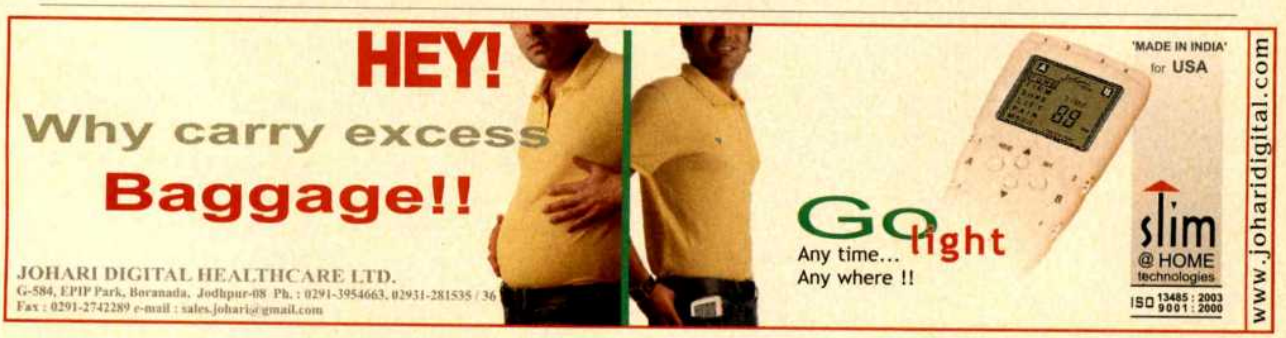
Water-based diseases: Caused by aquatic organisms like roundworms, tapeworms, flukes and helminthes that spend part of their life cycle in water and another part as parasites.
COMMON DISEASES: Guinea worm disease, filariasis (also a vector disease), paragonimiasis, clonorchiasis and schistosomiasis.
THE REMEDY: Provide better drinking water and sanitation.

Water-related vector diseases: Caused by vectors such as mosquitoes and tsetse flies that breed or live in or near water.
COMMON DISEASES: Malaria, yellow fever, dengue, sleeping sickness and filariasis.
THE REMEDY: Drain away stagnant pools of water, spray insecticide and sleep under mosquito nets.

Basic Survival Needs

- **Water Intake** (drinking and food): **2.5-3** litres per day.
  DEPENDS ON: The climate and individual physiology.
- **Basic Hygiene Practices:** **2-6** litres per day.
  DEPENDS ON: Social and cultural norms.
- **Basic Cooking:** **3-6** litres per day.
  DEPENDS ON: Food type, social as well as cultural norms.
- **Total Basic Water Needs: 7.5-15 litres per day.**

Source: WHO & RedR India study



WHAT WILL IT TAKE To Electrify All Our Villages?

F.A. VANDREVALA

"POWER FOR ALL" HAS BEEN A CHERISHED goal of our nation. It is now recognised that electricity is one of the basic human needs and that every household must have access to electricity, since a clear co-relation exists between the use of electricity and improvement in human development parameters.

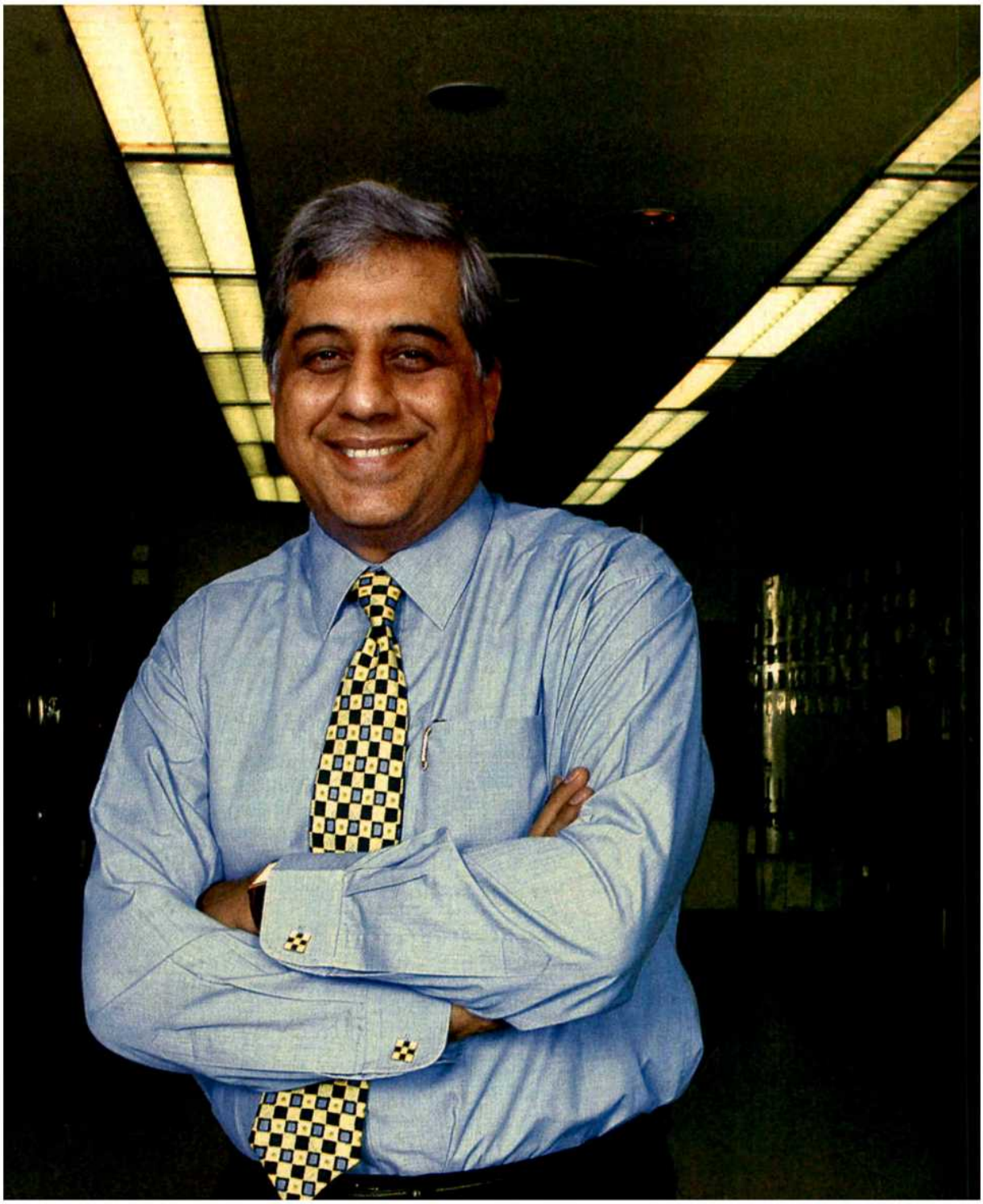
In pursuance of these goals among others, the Electricity (Supply) Act was enacted in 1948 and it entrusted to State Electricity Boards (SEBs) the task of making electricity accessible to all—"the benefits of electricity are to be extended to semi-urban and rural areas in the most efficient and economical manner...." This was further reinforced in various provisions of the new Electricity Act 2003.

The SEBs embarked upon this task in right earnest and up to the 70s, the bulk of new generating capacity was added by them. Thereafter, the main thrust for capacity addition was provided by the Central Public Sector Undertakings (CPSUs) like National Thermal Power Corporation (NTPC) and National Hydroelectric Power Corporation (NHPC). In the period to date, the country's installed capacity has increased manifold from 1,362 MW in 1947 (per capita consumption 15 units) to 122,000 MW today (per capita consumption 592 units). More to the point, at the time of independence, only 1,500 out of 5,88,000 villages were electrified. The number today is 4,75,000 or 81 per cent. While in number terms this represents a significant achievement, in reality this is not the case.

The definition of village electrification till 1997 was: "A village should be classified as electrified if electricity is being used within its revenue area for any purpose whatsoever". Thus 81 per cen electrification does not translate into 81 p households having access to electricity! This definition may have contributed to the complacency in regard to completing th household electrification. The fact of the ma as of now the bulk of rural households (56 are still without electricity (2004-05).

In order to finally bridge this gap, the Go of India (GOI) launched the Rajiv Gandhi Vidyutikaran Yojana (RGGVY) in April 2 goal of the RGGVY is to complete the rural infrastructure and balance household electri the country in the next 5 years i.e. by the y The RGGVY is a bold master plan for comp unfinished task of rural electrification. This i to be done largely at the expense of the GOI, provide a grant of 90 per cent of the estim tal cost of Rs 16,000 crore required for elec of all the unconnected villages in accordanc 2004-05 definition of village electrificatio specified public places, *dalit bastis*, and at le cent of the households are wired up. F poverty line households, the grant will extent of 100 per cent.

However, a word of caution may not place. While capital and funding is a ingredient, it is not sufficient for succe enterprise. Since rural electrification is a stat the implementation is to be done by the assist the states in this task, the Centre available to them the expertise and service like NHPC, NTPC, PGCIL (Power Grid Corp



Renewable sources are rapidly improving in terms of cost and viability but sustained efforts are called for to achieve grid quality supply in the next five years

India Ltd), and DVC (Damodar Valley Corporation). The Rural Electrification Corporation (REC) is entrusted with the task of channeling the grant funds and providing soft loans for the balance requirement. In this regard, the role of REC is similar to that of the Rural Electricity Authority (REA) in the US.

The key element of the agreement is the commitment of state governments and state utilities to introduce a revenue sustainable franchisee arrangement prior to project completion and provision of targeted and upfront subsidies as required. This implies that the last mile connection is contingent on a franchisee being in place for a village or an area comprising a block of villages to perform the functions of distribution and supply agency and collect dues, albeit subsidised, from the ultimate consumers. Families below the poverty line consuming 30 units per month or less will pay only 50 per cent of the cost of supply as mandated by the National Electricity Policy.

All this brings us back to the title of this article which may be better rephrased as "What will it take to electrify all our households". The answer is not a simple one. The RGGVY is an excellent initiative and a measure of the government's resolve to complete the unfinished task of rural electrification during this government's tenure. It is in a sense a starting point for the home run. However, the greatest stumbling block will be the bottom-up conditions where franchisees and on-the-ground agencies come into play. Rational and affordable tariffs will need to be set, and the related subsidy provided upfront. The three "Ts" of subsidy design are that they should be transparent, targeted and temporary. A subsidy ultimately has to be paid for by someone. In the case of electricity the three choices are—a cross-subsidy by other customers, the absorption of the subsidy by the supplier or by the tax payer. The World Energy Council believes that the last of these options is preferable in that it distorts the market the least.

The role of the franchisee or distribution agency referred to earlier will be to complete the last mile connections and to manage the operations on a day-to-day basis. Revenue sustainability requires that the electricity used and the expenses for maintaining the network will be paid for on a sustainable basis. Franchisees could be NGOs, user associations, co-operatives or individual entrepreneurs. Each of these will need capital and a workable business plan. Domestic capital formation is, thus, another critical area.

In order to achieve this, energy access projects need to be made more attractive. The flip side to promoting local enterprise is the encouragement of micro financing facilities to help develop electricity customers. Even in today's developed countries, the early pioneers were often relatively small local companies. It is fortunate that in densely populated India, around 90 per cent of the population live within reach of the grid. Nevertheless, there will be very different circumstances in different areas that call for a range of responses. The states and their power utilities will need to assess the feasibility of grid supply vs distributed generation for each of the villages.

Many of the distributed generation technologies for area supply application are in the pilot stages and some amount of time and effort will be needed to adapt and bring them into regular commercial service. On a more positive note, though, renewable sources are rapidly improving in terms of cost and viability but sustained efforts are called for to achieve grid quality supply in the next five years.

Given the high percentage of population within reach of the grid, healthy functioning of the grid-based distribution industry is crucial to achieving and sustaining the "access for all" target. This also means that power sector reform is one of the roads that must be travelled to reach the universal access destination. And finally, emerging out of recent experience, there is new pragmatism which recognises that power sector reform covers a wide menu, even including market interventions in certain circumstances.

This theme has been explored further in a recent report of the World Energy Council on energy market reform experience to date. In particular in developing countries, maximising the scope for competition may not be the first priority. This is not to overlook the fact that competition is the most reliable driver yet discovered of efficiency and innovation.

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Thus, a major effort will be required at the State level, where such aspects need to be developed. The people of the villages too need to be mobilised and involved in this task

An electricity supply system, which does not pay for itself is ultimately unsustainable. Also, cost-reflective tariffs can only provide the basis for future investment if the money is collected. In order that electricity supply should be paid for it may be necessary to link the RGGVY to initiatives for overall commercial development and improvement of the economic conditions of the rural areas. This approach will facilitate raising of the overall living standards. Thus, a major effort will be required at the state level, where such aspects need to be developed. The people of the villages, too, need to be mobilised and involved in this task.

An example of the holistic approach mentioned above is the Confederation of Indian Industry (CII) Dungarpur Initiative. Dungarpur is a district in Rajasthan and is one of the nine backward districts identified by UNDP for a pilot programme for promoting decentralisation and capacity building for participatory planning for poverty reduction. Among the various initiatives being undertaken by the CII-Industry Group in Dungarpur is one pertaining to development and management of energy resources. This task has been taken up by one of the members of the group with expertise in energy solutions.

For working out energy solutions for an area like Dungarpur, which is of district size and comprises a number of villages, there is a need to map the energy needs, estimate the resource requirements, fuel availability and location of plants and integrate these with the development plans of the district. This requires that the villagers be taken into confidence and, if need be, even organised to supply the fuels required in a given scenario. Further, they need to be involved in the development activity, persuaded to abide by their commitments and to pay for the services received. They may also own some of the facilities installed for providing energy to them.

All stakeholders should feel involved and be invited to participate in the process of meeting their energy needs. These stakeholders are schools, healthcare facilities, small enterprises, traders/shopkeepers, equipment manufacturers, service providers and representatives of the state and district administration.

The example given above affords a flavour of what it will take to achieve village electrification in the true sense, wherein each household along with the various village institutions will have access to electricity especially in remote locations where grid connection may not be feasible. Availability of quality power supply would help unleash the full economic growth potential of rural India and the consequent increase of rural purchasing power will not only provide a great stimulus to the economy but also enable consumers of electricity to pay for their usage and thus make universal access sustainable.

In conclusion we may state that the RGGVY is a bold and timely program for ensuring complete household electrification in an ambitious time frame of five years. China achieved close to universal access over a longer time-span of two decades. India, however, is a democracy and the levers of power correspondingly less direct. Hence harnessing the forces of motivation and incentivisation becomes all the more critical.

Moreover the target cannot be achieved by the Ministry of Power alone. The collaboration of other ministries such as Finance, Education, Water Resources, Rural Development and others will be needed. While the Centre will bear the capital cost, the revenue costs and the bulk of the implementation effort will have to be borne by the states. Implementation will call for a high degree of management and governance skills.

The degree of success in various states will therefore be a direct function of their governance record. The map for India to achieve this goal is one showing multiple roads that must all be followed in parallel, and the motive power that must take us along those roads is political will. Progressive states that can get their act together and harness the energies and resources of the various stakeholders, NGOs and the CPSUs are more likely to attain the goal of 100 per cent household electrification at an earlier date than those that cannot think progressively. Finally, the corporate sector, in particular those having energy expertise, can play a vital role in making this happen. ■

The author is Chairman, Motorola India, and a former Managing Director of Tata Power Limited

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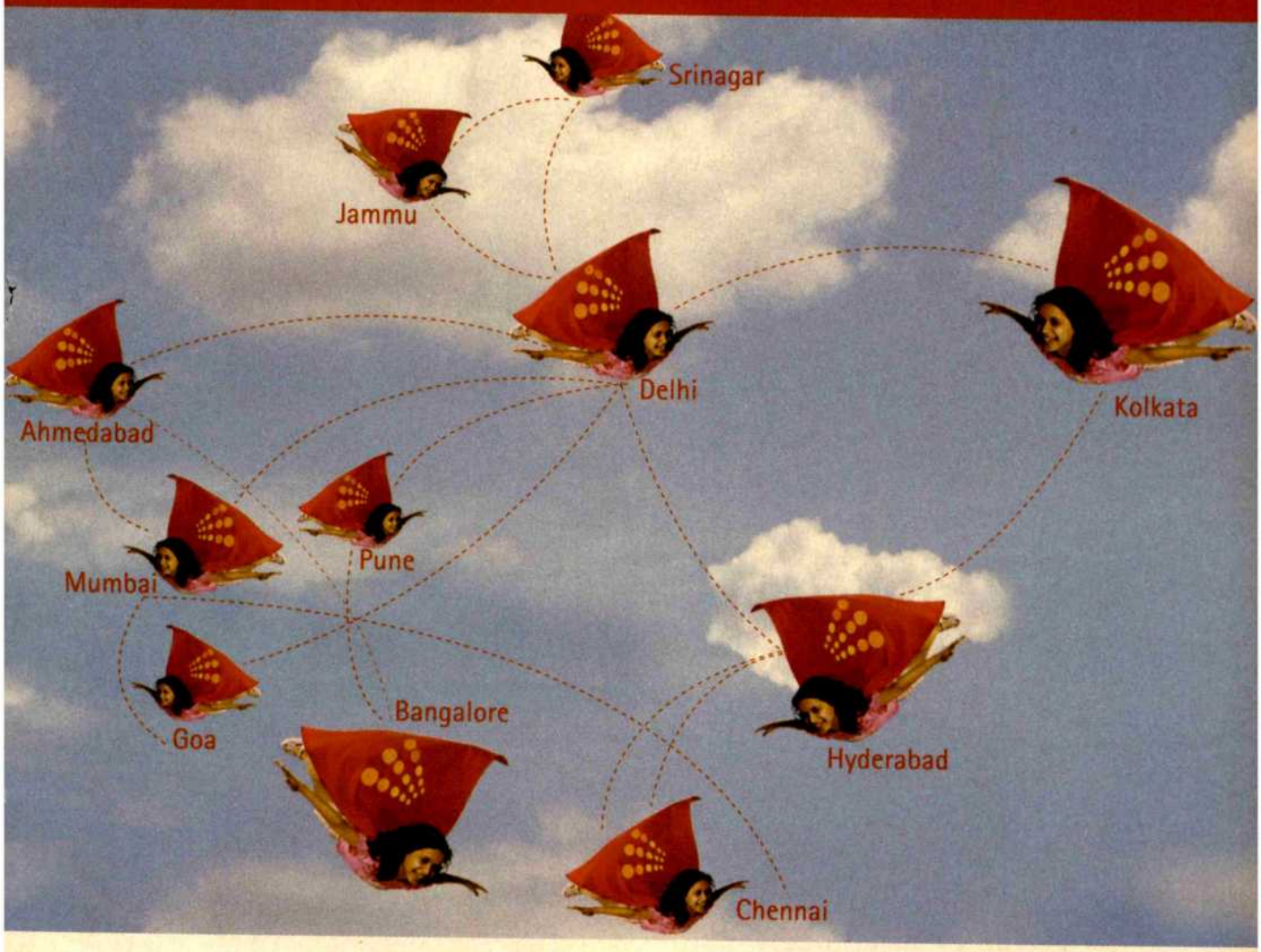

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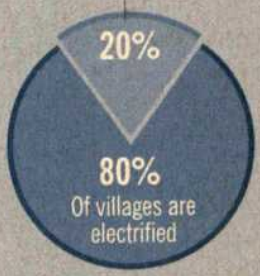
POWER FOR THE PEOPLE

A Massive Shortfall

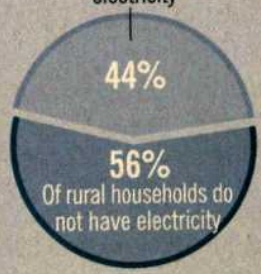
The Big Picture

Of villages have no electricity



The Fine Print

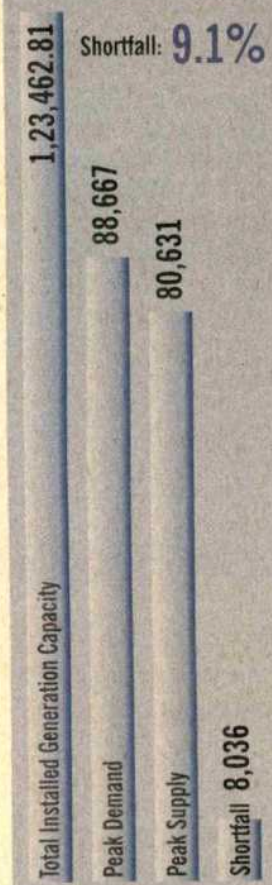
Of rural households have electricity



Total Installed Capacity

Sector		MW	%age
State Sector		70,447	57.1
Central Sector		39,908	32.3
Private Sector		13,187	10.6
Fuel			
	Coal	68,308	55.4
	Gas	12,430	10
	Oil	1,201	0.9
Total Thermal		81,939	66.3
Hydro		32,135	26
Nuclear		3,310	2.7
Renewable		6,158	5

The Balance Sheet



Transmission & distribution losses vary from 18 per cent to 62 per cent across the country
Figures are in MW
Sources: Ministry of Power

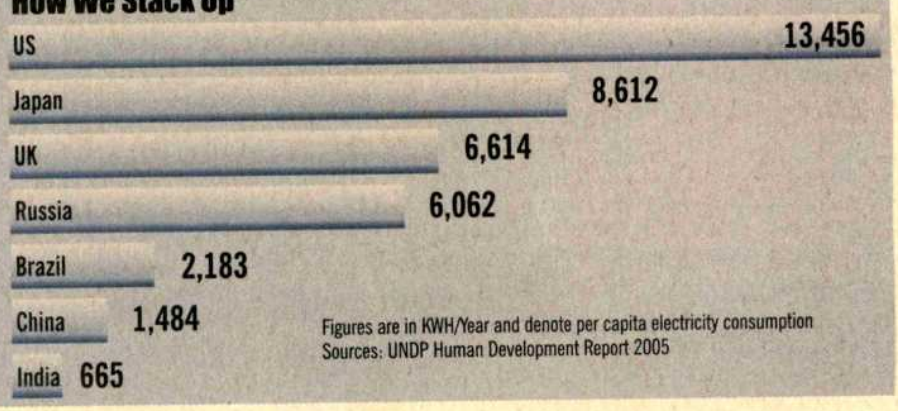
Bridging The Gap

India needs **1,00,000 MW** additional generation capacity by 2012

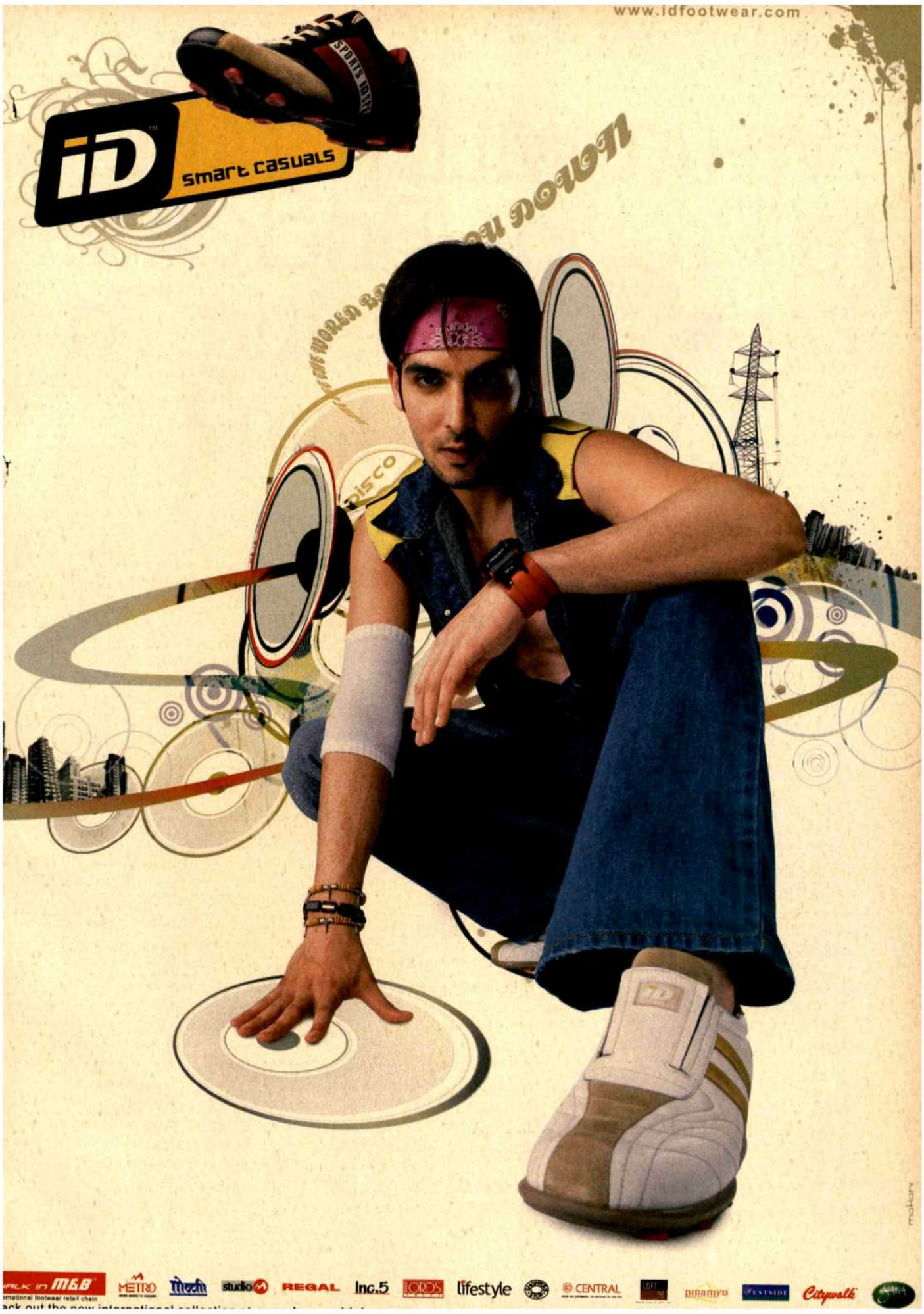
The investment required: **Rs 8,00,000 crore**

Sources: The 16th Electric Power Survey, January 2001

How We Stack Up



Figures are in KWH/Year and denote per capita electricity consumption
Sources: UNDP Human Development Report 2005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WHAT WILL IT TAKE To Provide Brick And Mortar Housing To Every Indian?

DEEPAK PAREKH

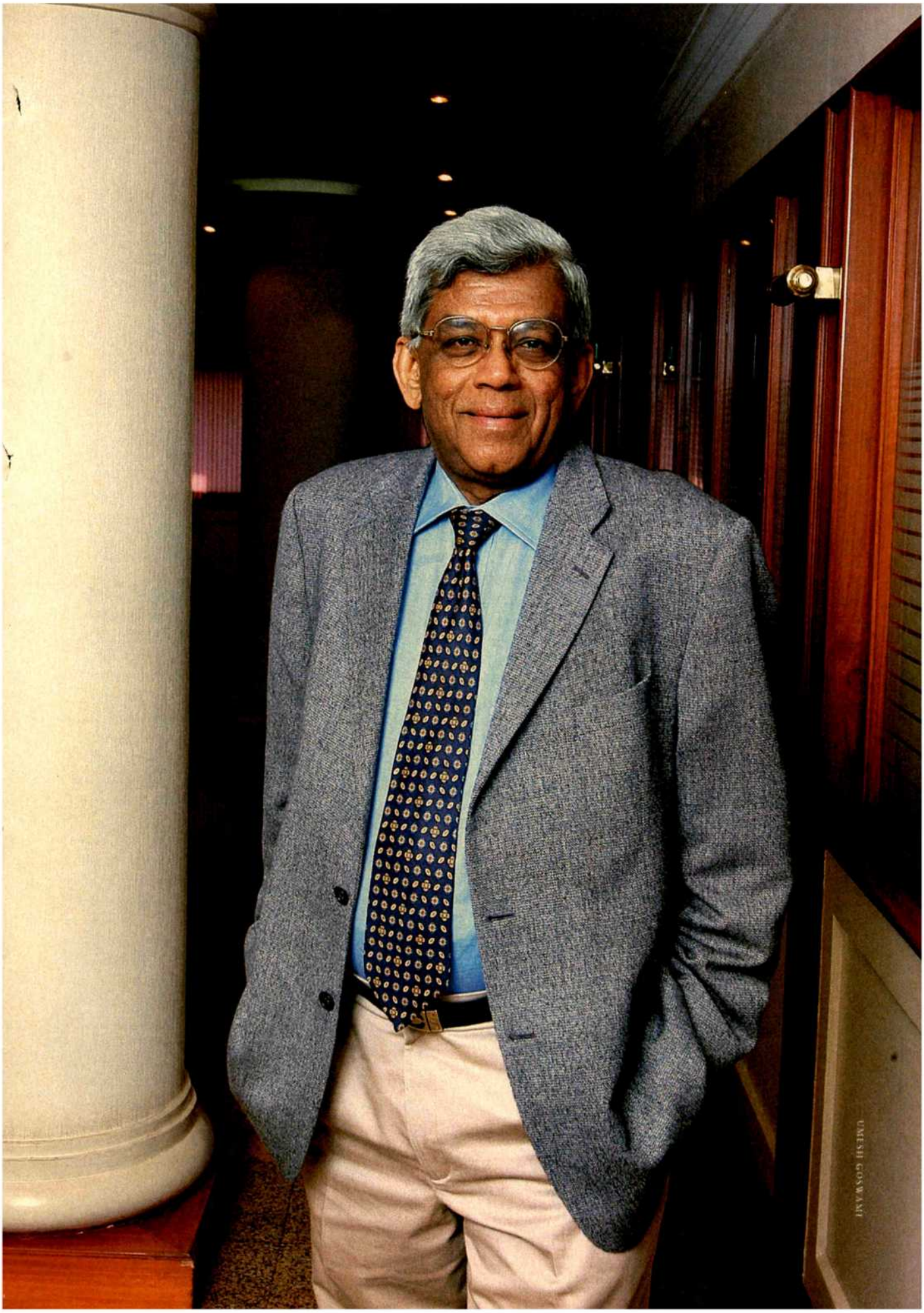
THE INSTINCT TO NURTURE A FAMILY IS A natural human trait. One that transcends borders, economies, even cultures. It is a characteristic of human nature that prevails in the midst of even the direst of circumstances. Since time immemorial, man has manifested this protective quality in the form of a home—a place of refuge and security. In recent times, this has expanded to include the realisation of dreams and a sense of achievement. What has remained constant is the fact that housing is a basic need, an undeniable right for every human being.

It is for these reasons that housing is an integral measure of a country's development, and the way a society houses its people an important determinant of its development and progress. This is not a concept of the modern world, but finds its roots in ancient times. The cities of the Indus Valley Civilisation, Harappa and Mohenjodaro, are exemplary instances of the engineering excellence of the human race. At the same time, they were home to one of the most developed ancient civilisations, the knowledge of which is applicable to the world even today. This not only required a vision for future growth, but the desire that all should share in the income that was collectively earned.

This is a valuable history lesson that we seem to have somehow left behind in our classrooms. We are surrounded by technological advancements and economic progress, but still have to provide our citizens with the basic needs of food and shelter—a goal that we set for Independent India almost 60 years ago. At this juncture, there has emerged a critical need to reorganise the system and look beyond immediate solutions in order to succeed in providing affordable housing for all.

Rapid population growth and an increase in urbanisation have led to the proliferation of slums, which, though viewed negatively, are, in a way, a makeshift solution to a complex housing problem. As a result, India is witnessing an ever-increasing pressure on urban infrastructure and services. Studies reveal that we currently face a housing shortage of approximately 20 million units, half of which is urban and around 70 per cent of that belongs to the low-income segment. Our population is likely to cross 1.3 billion by 2020 and our urban population set to grow by 85 million over the next 10 years. An ASSOCHAM paper on real estate development has estimated that the demand for dwelling units will grow to 90 million by 2020, which would require a minimum investment of $890 billion (Rs 40,05,000 crore).

What seems like a double-edged sword is actually an opportunity for us, to overhaul a system that needs not only to solve urgent problems, but also prevent a repetition of the mistakes of the past. The challenge lies in fortifying the basic framework on


UMESH GOSWAMI

Studies reveal that the country currently faces a housing shortage of 20 million units, half of which is urban and 70 per cent of that belongs to the low-income segment

which the housing sector is built. Four aspects need to be addressed—the financing model, regulations, infrastructure and knowledge creation—and all dealt with simultaneously, with a sense of urgency, if the efforts are to succeed.

Being able to afford a house is dependent on the repaying capacity of an individual, since that is the basic principle of providing financial support. While the operational aspects of the system have been streamlined, a critical point has yet to be addressed—the question of employment since it is the decisive factor that ensures earning. In order to enable the youth of our country to take full advantage of their capabilities, an equal emphasis will have to be given to education and health, which are directly related to employment growth.

As our population grows and the economy progresses, the demand for financial assistance will increase exponentially. In such a scenario, normal credit appraisal processes are not likely to provide sufficient checks in the process. The system will need to be much stronger, bringing into focus the role of independent credit rating agencies, which will be able to provide necessary and updated information regarding applicants. Such a system will not only contribute to transparency and control in disbursal, but will make it possible for legitimate applicants to access loans and other financial services promptly. In India, the setting up of CIBIL or Credit Information Bureau (India) Limited has been the first step, but a lot more needs to be done.

As formal housing markets evolve and strengthen in India, there still exists a large chunk of the population in rural and urban India that needs basic shelter, particularly the non-formal and self-employed low-income segments. This is a huge market opportunity that can be serviced by alternative financing methods. The Centenary Rural Development Bank (CRDB) in Uganda is, for instance, one of the few banks in the world dedicated to housing micro-finance. While financing the lower income segments, the bank tends to focus more on 'character and capacity' rather than 'collateral and capital'. In India too, over the past decade, a number of successful micro-finance institutions and NGOs have shown the path to the formal banking community. Experience has shown that repayment records are actually better in this category, nullifying the question of higher risk. What is required is the ability to be responsive to the specific needs of low-income clients and then finding ways to lend in a cost-effective way. These micro-finance initiatives not only provide easy and timely access to financial services, but also support livelihood generation through self-help. Moving such efforts to the mainstream could be the most efficient instrument of poverty alleviation in our country.

Evidently, the responsibility of creating housing within our cities and villages is one that needs to be shared by all stakeholders. On the regulatory front, the government needs to act on archaic laws and take objective decisions on issues like stamp duties, disorganised land records, FSI (floor space index) as well as tedious procedures and paperwork. Regular updation of records and data pertaining to real estate will help planners and developers create effective blueprints for the future. Concurrently, real estate professionals and citizens will need to contribute and work towards the re-planning process.

A recent development has been the launch of the Jawaharlal Nehru National Urban Renewal Mission by the Central government. The programme will provide Rs 5,500 crore in the first year alone to select cities for infrastructure development and provision of basic services. Furthermore, the Mission promises to address the problems of legal, systemic and procedural reforms and aims to align them to the contemporary needs of our cities and towns. It is this multi-pronged approach that is encouraging.

This is an approach required in urban planning as well. A shift in focus—from buildings to people—will enable a multi-dimensional approach, which encompasses quality of living and physical development. What is required is a focus on providing an integrated delivery of services, and not just housing development. CEMEX, a leading global producer and marketer of quality cement products, through its "Patrimonio Hoy" programme in Mexico organises

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The Centre needs to act on archaic laws and take objective decisions on issues like stamp duties, disorganised land records, floor space index, and tedious procedures and paperwork

low-income families into self-financing cells that facilitate and expedite the typical home-building process. The programme not only provides them with the products they need, but also offers them guaranteed prices and technical assistance, including an architect, so they can optimise space and reduce waste.

Long-term planning in housing will be incomplete without the enabling factor of technology. To have all transaction related information accessible at multiple points with the help of computerised registration records, will lead to a greater degree of transparency and accountability in land transactions. On the consumer side, the internet has already become a platform for real estate transactions and the concept of e-housing is not difficult to envisage. Imagine homes that generate more energy than they consume, software that controls every household appliance and robots that ensure your dinner is ready to be served—even before you step inside.

The establishment of a new framework in the housing sector is a task that is being discussed at several levels. A point to keep in mind is the long-term nature of the undertaking at hand. This is why knowledge creation and dissemination becomes a necessary objective. As does professionalism and accountability, especially since decisions taken here are set to influence multiple lives. Corporate governance is an area that needs to be embedded in the entire development process, resulting in an environment free from red tapism and bureaucratic obstacles. Governance will also need to permeate the supply side, with developers working towards transparency in their projects, with regards to quality and prices. A home is a lifelong personal investment, and it is for this reason that issues such as guarantees on homes will form part of the basic principles of housing projects.

Progress will need to be supported by the creation of a knowledge pool of professionals and consultants, who will have a qualified and objective outlook and the vision to look beyond obvious solutions. This has created an urgent need to develop a structured and formal curriculum for real estate and urban planning in India, be it in architecture, management or entrepreneurship. Today's academicians will have to groom a generation of thinkers and implementers, who will be taught in institutions that set high standards and even higher goals. It is a vision like this that will ultimately result in the provision of affordable and quality housing for all.

The importance of the housing and real estate sector in India can be judged by the estimate that for every rupee invested in the construction of houses, Re 0.78 is added to the GDP of the country. The linkages run deep and progress in this area will enable growth in various others at a faster pace, ultimately creating demand, improving quality and setting standards—all in all, boosting the economy.

One thing is clear—solutions will require a participatory approach, with governments and communities involving themselves in the creation of housing solutions. Strong local governments that can manage urban planning, boast the fiscal strength and possess the ability to enforce what they think will make the difference. Developers will have to adopt an enabling role, working together with governments to translate regulations into quality housing, and using resources effectively to ensure that people derive maximum benefit.

My vision for India in 2020 includes planned, clean cities with basic infrastructure in place, affordable and energy efficient homes, a dynamic regulatory and legal framework, and most of all, concerned citizens involved in the running of their cities and towns. It is said, "Rome was not built in a day". Not surprising, since the ancient Romans were down-to-earth realists. While the rich had gracious homes, the others had apartments, some big, others small. The important point was that there was a roof over every head. Is this too much to ask? I do not think so. It is time for us to make this possible, not only for ourselves and the people we know, but for every Indian for whom affordable quality housing is an undeniable right. How much time it takes, is entirely in our hands. ■

The author is Chairman of HDFC Ltd

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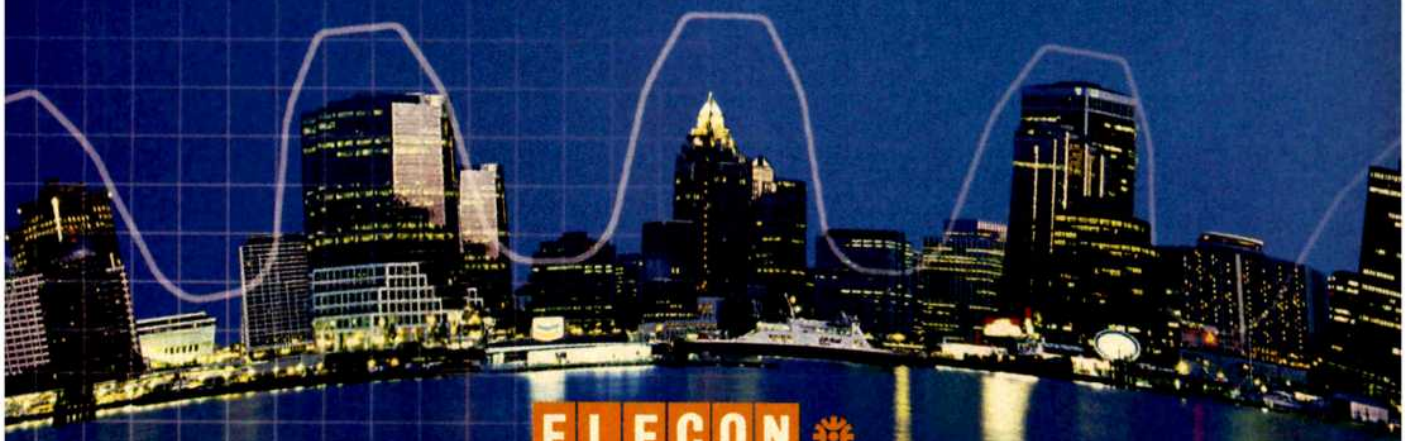

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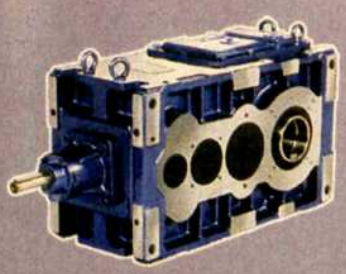

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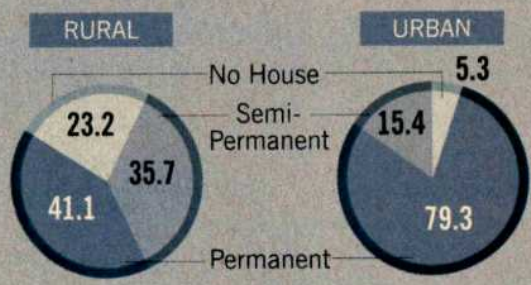
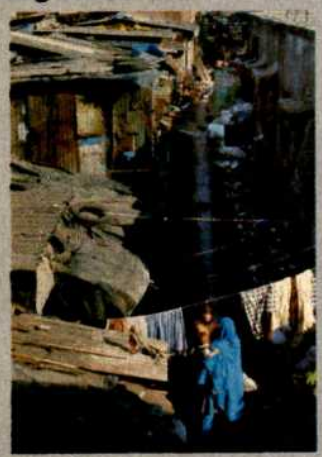
Distribution Of Houses By Condition



Slum Population In Big Cities



Source: Census 2001

What Is The Lowest And Highest Price Per Square Foot In The Four Metros?

Is There Any All-India Initiative To Provide Housing For All? If Yes, What Is The Status Of This Initiative?

Bharat Nirman, Indira Awas Yojana and National Urban Renewal are some of the initiatives that the government has taken for providing housing for all. Budgetary allocation for the purpose is inadequate; the Centre has allocated around Rs 2,800 crore under the Indira Awas Yojana to construct 15 lakh houses and about Rs 5,500 crore for upgrading urban infrastructure.

Source: Compiled by DHFL Venture Capital

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WHAT WILL IT TAKE To Ensure Healthcare For All?

KIRAN MAZUMDAR SHAW

INDIA ACCOUNTS FOR A SIXTH OF THE WORLD'S population. But only a sixth of India's billion people have access to affordable healthcare. The rest are neglected much like the diseases that afflict them. Medical help is inaccessible and simply beyond their means. In fact, the cost of staying alive pushes one quarter of Indians below the poverty line. Those who require hospitalisation are perennially repaying debts and it is important to note that rural indebtedness caused by illness is far greater than that caused by crop failure.

India's disease profile features 8.5 million patients infected with tuberculosis (TB), 5.1 million people who are HIV+, 2.1 million suffering from malaria and an estimated 35 million diabetics, which makes India the world's largest in all these disease segments. In the area of metabolic diseases and cancer, India's patient profile mirrors that of the Western world. Such a disease burden could bankrupt even the most affluent of nations.

Developing and maintaining sustainable healthcare delivery for people in the poorest countries of the world is, indeed, a gigantic, if not an insurmountable, challenge. There is an urgent need to provide access to affordable healthcare in a sustainable manner. Furthermore, this should be based on an underlying strategy of preventive, rather than curative, medical care if we are to improve India's health indicators. The only viable proposition is an insurance model that will support millions across India's rural hinterland through a large network of hospitals and clinics. Roughly translated, it means "Insuring Affordable Healthcare".

India's demographics reflect a young population with a median life expectancy of 57 years and a median age of 26 years. This has the potential to provide a workable basis for a sustainable and affordable healthcare model. As Winston Churchill said: "Insurance brings the miracles of mathematical probability to the rescue of the masses." This is in sharp contrast to the aging populations of Western economies where healthcare bills are mounting to unsustainable levels.

In recent times, several low cost health insurance models have taken root. The most visible programme is the Yashaswini Health Insurance scheme introduced by the Government of Karnataka in 2003. Under this programme, members of various co-operatives in the state receive an insurance cover against an extensive list of surgical procedures (1,650 in all) for a nominal premium of Rs 120 per annum. Another private initiative, Arogya Raksha Yojana, is a comprehensive health insurance scheme that goes beyond surgeries and encompasses hospitalisation, free medical consultations and low cost medicines all for a modest premium of Rs 180 per annum. Both these programmes rely on a network of established government and private hospitals and clinics (as the case may be), to provide quality healthcare to rural communities. Theoretically, at an annual insurance premium of Rs 180 or approximately $4, India should be in a position to provide basic healthcare to its billion people for an unbelievable $4 billion (Rs 18,000 crore)! This is a hypothesis well worth establishing.

Success in the long-term battle against illness and disease in developing nations is increasingly becoming

RITESH SHARMA

The Indian market is known to offer the **cheapest generic drugs** in the world. Eliminating marketing and distribution costs reduces this even further

more dependent on education and efficient infrastructure. It is, therefore, critical to create awareness on health and hygiene and provide efficient systems by leveraging information technology. Preventive healthcare is more sustainable than undertaking the life-long treatment of a disease that has already declared itself. It is often the simplest essentials that are required in order to break out of the vicious circle of infection and ignorance.

Information technology and telecommunications have an increasingly enabling role to play in healthcare management. The importance of telemedicine and electronic data capture in providing enhanced medical information for diagnosis and treatment is key to building an efficient model. Additionally, building databases and disease registries will enable such insurance programmes to evaluate the incidence and diversity of diseases at an epidemiological level and, thereby, allow for better optimisation.

The cost of drugs is another key factor in addressing affordable healthcare. The Indian market is known to offer the cheapest generic drugs in the world. Eliminating marketing and distribution costs reduces this even further. Arogya Raksha Yojana, for instance, sources low-cost generic drugs and makes them available at between 30-50 per cent of retail prices through a network of in-house pharmacies. Spurious drugs are another factor that is severely detrimental to affordable healthcare. Programmes like the one mentioned above are addressing this through a quality control system that aims to create a controlled supply chain that is designed to eliminate any devious intrusion from fakes.

India provides a unique platform for affordable drug development. Up until now, Indian industry has built a globally competitive generic pharmaceutical business. The time has come to research and develop improved and new medicines. This intrinsically challenges Indian industry to balance the high cost of R&D with market affordability. In this context, it is prudent to highlight that patented drugs, especially biotech drugs account for less than 5 per cent of the total market purely on account of unaffordability. The challenge is to provide new and advanced medicines, especially biotech drugs, to patients at the bottom of the pyramid. This will only be possible if Indian pharma and biotech companies step up their innovation-led research programmes and pursue an indigenous development path that allows for affordable and cost effective drug development routes.

Public-private partnerships are integral to building efficient, sustainable and quality healthcare models in rural India. The government's Primary Healthcare Centres (PHCs) are inadequately designed and ill-equipped to deliver such objectives. Today, it is non-governmental organisations, the World Health Organisation and private initiatives like those of Rotary, Lions and others that have addressed mass immunisation programmes more extensively than PHCs. Others like the Gates Foundation, MMV, IAVI, etc., are investing in health education as well as research initiatives in the area of AIDS, malaria and infectious diseases. PHCs are simply not providing comprehensive healthcare efficiently. India's changing demographics call for changing and contemporary healthcare delivery models. PHCs need to form linkages with the private sector if they are to function as contemporary and effective health providers to the nation. One such initiative involves Arogya Raksha Yojana being entrusted with the management and operations of PHCs on existing government budgetary support. The strategy is to link it to an insurance programme that value adds to the PHC concept.

The backbone of future healthcare programmes needs to rest on hygiene awareness campaigns that cover water, sanitation and personal hygiene. The ultimate goal should be to help people move towards a better quality of life. Good hygiene means good health. There exists a sharp disconnect between urban and rural healthcare in India and if we continue to ignore this deepening divide, we run the dangerous risk of destabilising our social and economic fabric. The time has come to provide basic healthcare to our billion people. Accessibility and affordability need to be integral to this mission and any low cost health insurance model will ensure rural Indians a better quality of life. ■

The author is Chairman & Managing Director, Biocon Limited

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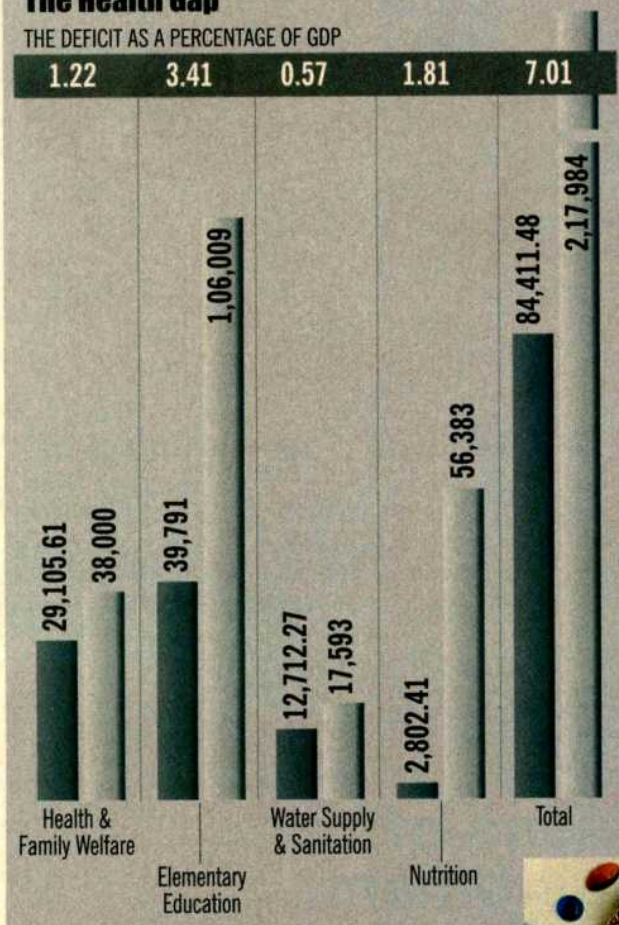

All figures in Rs crore
■ Current spending Amount required
Source: Ministry of Health & Family Welfare, State Finance Accounts

How We Stack Up

	INDIA	CHINA	USA	SRI LANKA	THAILAND
Infant Mortality Rate per 1,000 live births	68	30	2	8	15
Health expenditure as a percentage of GDP	4.8	5.8	14.6	3.7	4.4
Government's share of total expenditure	4.4	10	23.1	6	17.1
Per capita spending on health in $	96	261	5,274	131	321

Source: WHR 2005

Our Health Infrastructure

577,856 Registered Doctors

504,628 Registered Nurses

Country	Health Expenditure Per Capita (PPP US$) 2002	Physicians (per 100,000 people) 1990-2004
UNITED STATES	5,274	549
UNITED KINGDOM	2,160	166
RUSSIAN FEDERATION	535	417
BRAZIL	611	206
CHINA	261	164
INDIA	96	51
PAKISTAN	62	66

PPP: Purchasing Power Parity Source: Human Development Report 2005

What's Ailing India

Disease	Incidence	Death
TUBERCULOSIS	85	4
HIV/ AIDS (15 to 49 years age)	51	N.A.
MALARIA AND VECTOR BORNE DISEASES	20.37	N.A.
MATERNAL MORTALITY	n.a.	440*
CANCER	8.07	72,000
DIABETES	310	N.A.
MENTAL HEALTH	650	N.A.
CARDIOVASCULAR	380	N.A.
COPD & ASTHMA	405.2	N.A.
INJURIES	N.A.	9.8

Figures in lakh ■ per 1 lakh births
Source: Ministry Of Health And Family Welfare

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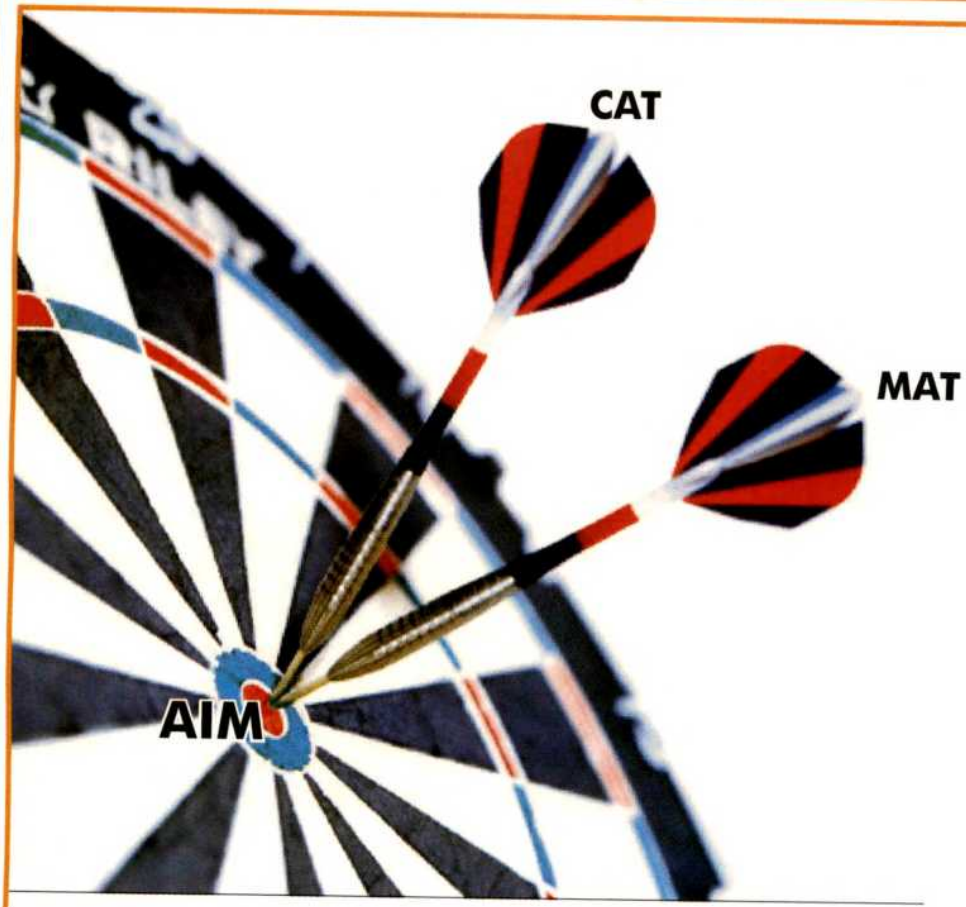

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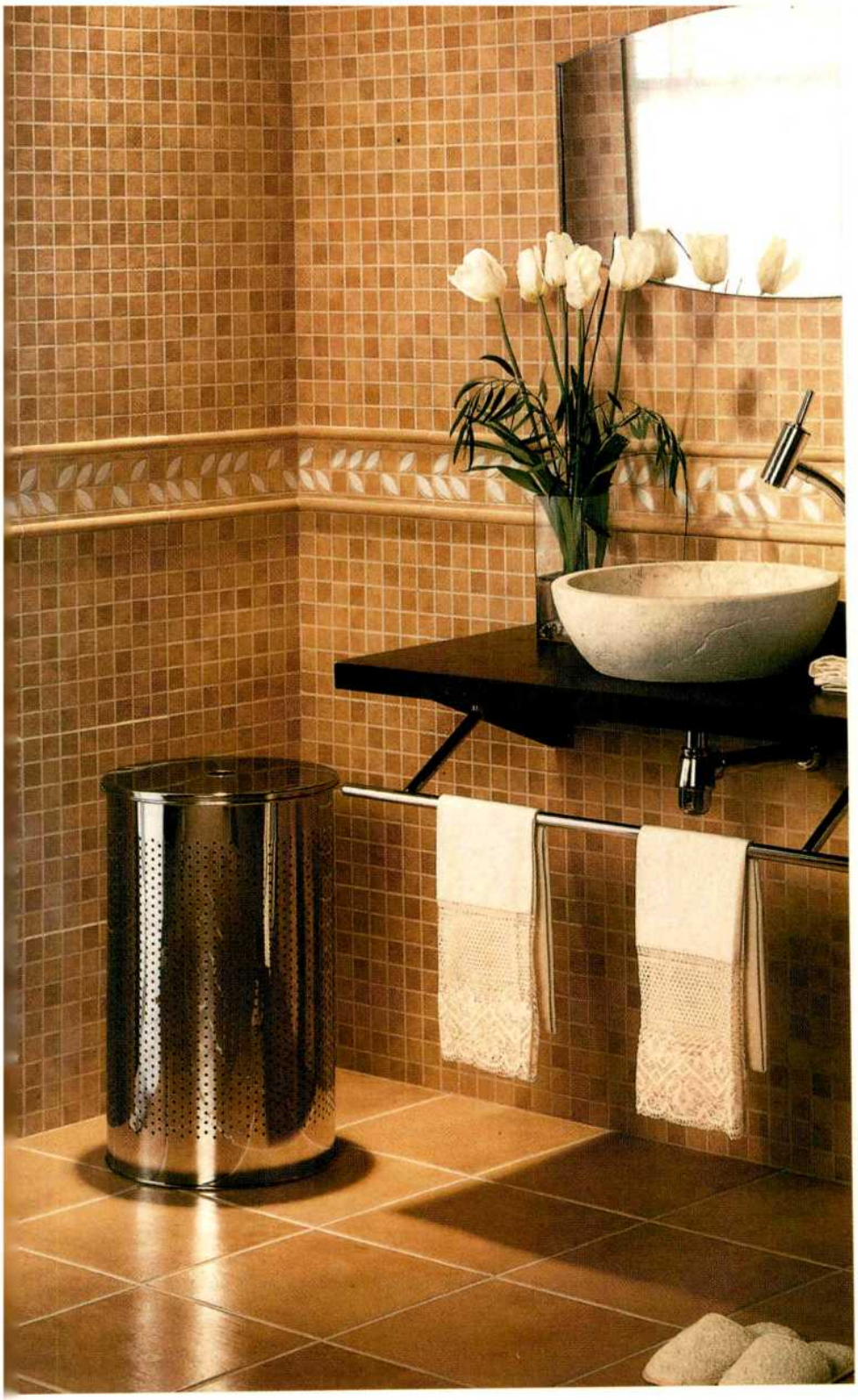

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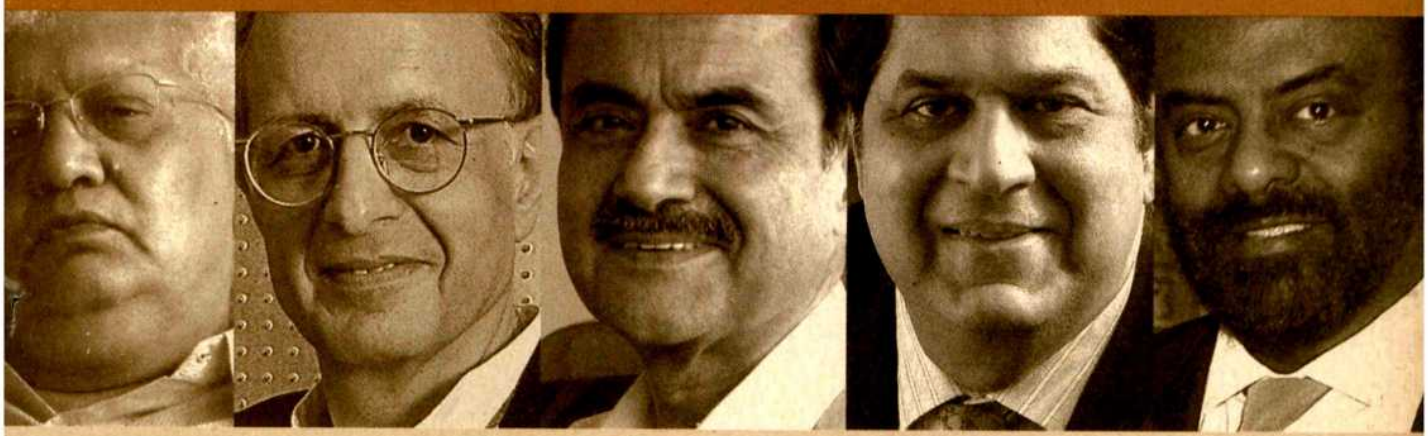
THE DEVELOPMENT CHALLENGES



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WHAT WILL IT TAKE To Eradicate Poverty?

LORD MEGHNAD DESAI

INDIA IS DOING VERY WELL. FOR THE FIRST TIME IN 200 years, India is back in the world as an economic power. There are Indian products—outsourcing, Bollywood, auto parts, pharma—which are world beaters. No longer do Indians have to lament Dacca muslin and the horror stories about the severed limbs of weavers. India is alright and growing at 7-8 per cent, thank you. Barring small delays while Manmohan Singh gets Prakash Karat's head around FDI (what is good for West Bengal and Kerala is good for the rest of India, too!), we could be looking at 10 per cent.

Yet, there are vast areas and populations of India untouched by the growth miracle. Far too many children die before they are one-year-old, far too many are malnourished, a politician accused of a misdemeanour who checks himself immediately into a hospital to escape trial, consumes more resources for his fake health problem than many villages get in a year. The primary schools in villages don't have teachers since they got their jobs as a political gift and so, they are busy fighting battles for their political masters. The politicians themselves are too partisan to legislate and rush up to the Well of Parliament chamber to protest. At least, it saves doing any serious work. They cost an enormous amount in salaries and perks and unpaid bills and still want money up front for asking questions.

Yes, India is a democracy, the largest and the most successful, but despite much that has been achieved, it has disappointed us. In terms of what the fighters for Independence dreamt of, India has barely scratched the surface of its enormous problems. The first 30 years after Independence were wasted in slow, hesitant growth and the setting up of highly capital-intensive industrial units which were designed to flatter the ego of the ruling elite than to benefit the masses. These are not *navratna*; they are the fake diamonds reminiscent of Guy de Maupassant's short story. These expensive baubles represent a massive waste of scarce capital. They are the reason why India can detonate a nuclear bomb but cannot provide clean water or decent roads. Above all, they are the reason why there is still a lot of poverty in India after 58 years of independence.

Statistics about India's poverty are much disputed. Yes, poverty has come down, from the high 40s (in percentage terms) in the early 70s to the high 20s in the late 90s. Growth during the 90s did make a serious dent on poverty. But the 28 per cent or so who are poor by the official poverty line do not exhaust the poor. There are poor above the line as well. While statisticians and economists endlessly quarrel about the methodology of gathering the data, survey techniques and so on, few have questioned the poverty line itself. It was fixed during the early debates in the late 60s and by 1973, it was around Rs 50 per month at 1973-74 prices (the levels are different for rural and urban areas, but those are details). Since then, it has been updated for inflation.

So, what is good about that sum. In 1938, Subhash Chandra Bose appointed a National Planning

RUBEN SINGH

Committee of the Congress party to prepare for Independence. Jawaharlal Nehru was its Chairman. In *The Discovery of India*, Nehru wrote that the committee arrived at Rs 15-25 per month at 1940 prices as the poverty level. It also thought that India's national income needed to be increased by five to six times (within 10 years!) if poverty was to be eliminated.

So what happened after Independence? National income took 20 years to double at first and then again took another 19 years to double again. Only in the last 15 years has it seen an acceleration of growth, so the third doubling came in 11 years. What the Nehru generation thought could be done in 10 years—a five-to-six fold increase in 10 years—took 45 years!

But the real scandal is the poverty line. Take Rs 15 at 1940 prices. With 1939=100, the Wholesale Price Index was 385 by 1952-53. Re-normalised at 1952-53=100, it was 165 by 1968-69. Again, taking that as 100, by 1973-74 it was 283, when all of a sudden it was *Garibi Hatao*. But the level should not have been Rs 50, but roughly 14 times 15 or Rs 210-250. Since 1973, the index has risen 14 times. So, the level should be Rs 3,000 at current prices. Even the per capita GNP is not this high today. So, several layers above the "officially poor" there are the "Nehru's poor". They are still waiting to be acknowledged, if not given some help.

So, enough of the euphoria! India may have a middle class of 200-300 million whom the banks are flooding with consumers credit with which to buy apartments, cars, computers and what not. But the poor are not 280 million but more like 500 million. The only conclusion can be that the democratic polity has looked after the elite groups of high caste and then some aggressive backward caste elites and neglected the majority. What was created as socialism was just outdoor relief at inflation-proof salaries and pensions and tenure security for the better-off.

Along the way, India's policy makers browbeat and nearly destroyed a healthy private sector, one of the largest of any post-colonial country, managed to scuttle a world class textile industry and made businessmen dependent on permits and licences. Only after 40 years, when this model collapsed in ignominy, has the private sector in India dared raise its profile. But even now it is too passive. It tolerates bad, inefficient politics. It has allowed third-rate criminals to enter the legislatures and done nothing to hold up the system to account. In the process, a first class city like Bombay has been reduced to the level of war-destroyed Beirut with filthy drains and collapsing illegally built structures and a bankrupt municipal authority which can only take pride in changing its name to Mumbai. The disease has now spread to Bangalore, which will change its name in lieu of improving the roads or water supply or drainage. No sooner as a city attains a global image, India's politicians are at hand to destroy it.

So, what must we do? It would be nice to think that India's businessmen will get off their backs and clean up its politics, or at least make it efficient. But I have grave doubts about that. Like all other inconveniences Indians have agreed to live with, corrupt inefficient politics will continue. At least, we can proudly assert that the Prime Minister—though only he alone—is not corrupt.

So, let us leave politics to politicians. Can we do something about the economy if poverty is to be tackled? A massive employment creation programme, not employment guarantee is needed. No country has grown rich without taking its rural population off the farms and putting it into factories. India has to tackle

Yes, poverty has come down. But the 28 per cent or so who are poor by the official poverty line do not exhaust the poor. There are poor above the line as well

The private sector in India even now is too passive. It has allowed third-rate criminals to enter the legislatures and done nothing to hold up the system to account

that urgently. The stagnation in manufacturing has to be reversed. This can only be done if manufacturing is growing at high double-digit rates. China doubled its manufacturing labour force from 53 million to 103 million in 20 years from 1981 to 2002. Its manufacturing value-added grew eight times over that period at 25 per cent per annum, while India managed only 6 per cent. India can double its manufacturing employment in the next 20 years, if not faster. The resources can be raised if policies are improved. It requires:

■ A drastic cut in budget deficits of the Centre and states. Cut non-plan expenditure, which was at Rs 3,52,748 crore by 2003-04, while plan expenditure was only Rs 1,21,507. There was more non-plan expenditure on the capital account than plan expenditure!

■ A simpler and faster FDI entry procedure; and

■ A drastic change in labour laws to make hiring workers less expensive.

Domestic savings of 25 per cent plus a net government saving of another five per cent and FDI of 10 per cent can lift the economy to those heights. This is something the business community can get its teeth into. Only employment growth in manufacturing offers unskilled rural labour any hope of a permanent route out of poverty. It is time to grasp it. ■

The author is an internationally reputed economist and a member of UK's House of Lords

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STATE OF THE POOR

How is poverty defined in India?
Indian poverty estimates are calculated on the basis of household consumption expenditure. Any person consuming less than 2,400 calories per day in a rural area and less than 2,100 calories per day in an urban area is considered to be below the poverty line. Other aspects of poverty include access to medical care and schooling, indebtedness and insecurity, but these do not figure in the official definition of poverty.

What percentage of people live below the poverty line?

26.1 per cent of the Indian population (260.3 million people) still lives below the poverty line.

How is poverty defined globally?

According to the World Bank, people who earn less that $1 (Rs 45) a day are considered to be below the poverty line

What percentage of people live below the World Bank definition of the poverty line?

Thirty-eight per cent of the Indian population (380 million people) lives on less than $1 a day.

Panacea For Poverty

These government programmes directly address poverty:

- **National Rural Employment Guarantee Scheme/** Rs 11,000 crore
  All state governments to provide at least 100 days of guaranteed wage employment to one member of every household
- **Swaranjayanti Gram Swarozgar Yojana/** Rs 862.24 crore
  Help poor farmers rise above the poverty line through bank credit and government subsidies
- **Indira Awaas Yojana/** Rs 2,750 crore
  Construction of low-cost houses for the poor
- **Sarva Shiksha Abhiyan/** Rs 7,156 crore
  A non-lapsable fund for children's education
- **Pradhan Mantri Gram Sadak Yojana/** Rs 3,809 crore
  Construction of rural roads

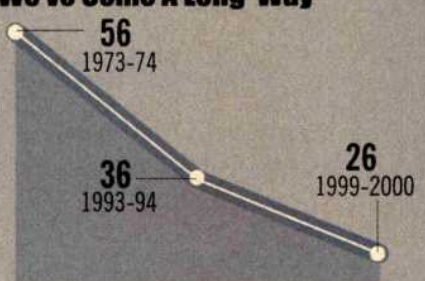
The allocation for the Ministry of Urban Employment and Poverty Alleviation during 2005-06 is Rs 7,246.95 crore. It is around 1 per cent of the total budgetary allocations

How every Rs 100 will travel through the system in the National Rural Employment Guarantee Scheme:

- **The Finance Ministry contributes Rs 90**
- **The state government contributes Rs 10**
- **The money will be used by the state governments, Panchayati Raj institutions and NGOs and passed on to the beneficiary—one member of the poor family**

Rajiv Gandhi had said 85 per cent of such funds do not reach the intended beneficiaries

We've Come A Long Way



Figures are percentage of Indians below the poverty line

How Does India Compare With Its Peer Group

Figures are GNP per capita in Rs for 2003

Source: Handbook of Statistics, 2003

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10:15 a.m.
Second production line halted owing to shorn belting

11:35 a.m.
Singapore distributor confirms huge order for Malaysian retail chain

12:20 p.m.
Second lot of imported dyes bleeding - entire lot rejected

2:40 p.m.
Bank allows additional LC limit against client order confirmation

3:35 p.m.
Yarn prices tumble - Ahmedabad client asks for price reduction

5:20 p.m.
Agency reverts with an exciting name for own brand

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Artist's impression of Tejaswani

Technopark is constructing a state-of-the-art 6 lakh sq ft building within the campus. Scheduled to be completed by October 2006, the 11-storeyed centrally air-conditioned building, 'Tejaswani', can comfortably accommodate a minimum headcount of 5,000. That is not all. Technopark has recently acquired 86 acres of land where Infosys and US Technologies will be setting up their own campuses. The park will soon house the software development centres of TCS and IBS as well. What is more, an additional 100 acres will be acquired by the park in its third phase of expansion. And the entire land of 186 acres will be promoted as an SEZ.

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TBWA\INDIA

WHAT WILL IT TAKE To Create A Market Out Of India's Poor?

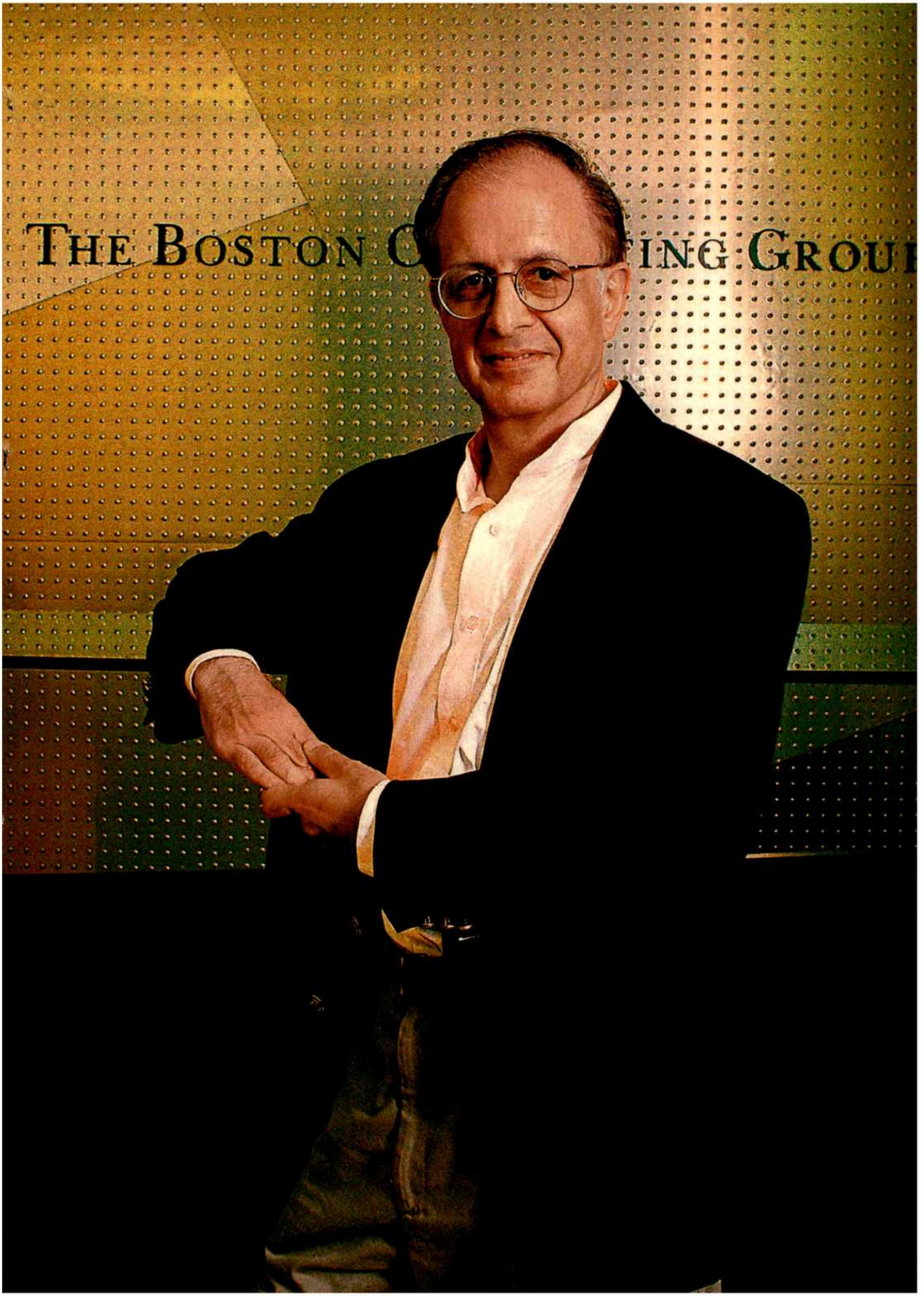
ARUN MAIRA

HENRY FORD, AS THE STORY GOES, created a market for automobiles among the poorer people of the US. He upturned the auto industry by paying his workers more than double what workers were getting in other factories because, as he is supposed to have said, he wanted his workers to be able to buy his cars. However, the doubling of salary levels was not the only revolutionary change he made. Other revolutionary changes were in the technology he introduced to the industry and the new concept of a production organisation. In fact, all three changes had to go hand-in-hand for his business model to work.

Ford introduced the concept of mass produced, interchangeable parts into the production of cars. He was one of the pioneers of mass production. Until the Model T, cars were produced in very small batches, or even custom-built, and there was no assurance that a part from one car would fit another. Building on this technological innovation, Ford introduced the concept of the assembly line, which required simple, repetitive operations and could be manned by workers with very little training. With these technical and organisational innovations, Ford was able to produce a simple car at a very low cost and propel the growth of the automobile market. Some principles can be drawn from this remarkable story about the creation of markets out of the poor, an idea that C.K. Prahalad's recent book, *The Fortune at the Bottom of the Pyramid*, has popularised again.

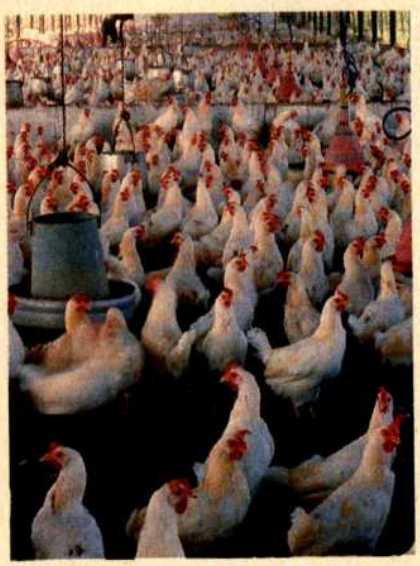
The first principle is: to create markets, an essential requirement is creation of incomes. This principle, captured in Ford's response to those who questioned the high salaries he paid his workers, seems to be shoved too far into the background in the examples that are usually given to explain Prahalad's concept. Oft repeated examples, such as the shampoo sachet, the simple TV, and other such low-priced products focus too much on the product and price side of the equation, rather than on ways to grow incomes of the potential customers by engaging them in the production process as Ford did. In the final analysis, what grows the market is the growth of more incomes and in the hands of more people through their participation, whether as employees or business partners, in the activity of the economic enterprise. However, it is hard to understand how any businessman who attempts to grow the market for his products merely by hiring more employees at double the salary than his competitors could remain in business! Therefore, the other principle must also be understood and simultaneously applied.

The second principle is innovation—in technology


THE BOSTON
ING GROU

What it will take to create a market out of India's poor is innovation—innovation in products, innovation in processes, and above all, innovation in the concept of enterprise

as well in the organisational model of the enterprise, whereby the enterprise can produce and market products that are more affordable by engaging income-seeking poorer people in the enterprise. In fact, Amul, by building a supply chain for milk with small cattle owners in rural areas, has obtained a competitive advantage over its competitors who are using a more conventional industrial model of production. Another remarkable, though less well known, Indian story with innovation in both the model of the enterprise as well as product technology, is that of Kuroiler poultry. In this story of market development, the poor are both the producers and also consumers. It illustrates how growth in incomes and growth in consumption can go hand in hand.



Keggfarms is one of the pioneers of modern poultry farming in India. As the industry has grown in scale over several decades, Keggfarms has progressed upstream to higher value products to feed the downstream poultry farmers and retailers, to provide them with chicks, vaccines and other inputs. With its technological capabilities, Keggfarms has developed a new breed of chicken that combines the qualities of traditional country chickens and industrial broilers. Country chickens have dark plumage as camouflage for protection against predatory birds. Also, country chickens, that have to scurry around and forage for their own feed, are leaner and more muscular than the lazy, plump (and mostly white-feathered) broilers who are fed within their coops in poultry farms. The patented Kuroiler breed has more meat and lays bigger eggs than traditional country chickens, while retaining its ability to fend for and protect itself. Therefore, it can be grown outside expensive industrial coops by women in villages. With this technological innovation, Keggfarms concentrated on the development of a new model for the production and retailing of poultry, connecting village producers with urban markets and also with new markets created within rural areas.

In the words of a director of Keggfarms, "India is a country of the masses. India's economy will sustain and grow only if the focus is kept on production by the masses rather than by mass production." To involve the masses in the poultry industry, both the supply chain, beginning with supply of day-old chicks to intermediate brooders who grow them for one month before passing on the birds to women in the villages to grow them to maturity, as well as the sales chain beginning with the women in the villages who have birds and eggs to sell (after retaining what they want for their family's consumption), were redesigned to include many cooperative enterprises of villagers, NGOs and others. Thus, by combining a technological innovation in the product with an innovation in the model of the enterprise, new sources of incomes have been created in rural areas, and the overall poultry market has been expanded. It is worth noting that the women who grow these chickens in the villages are at the very bottom of the economic and social pyramid. The richer people in villages own cattle. It is the poorest, and quite often the lower castes that, unable to afford cattle of their own, have to resort to less capital-intensive poultry farming.

Mass production, in the development of which Henry Ford made a seminal contribution, requires large factories to which people must come to work, and around which they must find habitation. It draws people from villages to towns and is one of the primary forces for urbanisation and its associated challenges of providing adequate housing, utilities, and infrastructure under pressure-cooker conditions. Recently a concerted thrust is building in India for rural development by enhancing agriculture-related

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Managers must break out of the imitative mode of learning and copying best practices from elsewhere that are not solutions for our economic challenges and opportunities

activities, providing urban amenities in rural areas (PURA), and facilitating the growth of small enterprises with micro-lending. Mahatma Gandhi, who often said that India lives in its villages, wanted village economies to develop simultaneously with towns and cities. Therefore, it is worth recalling a question Mahatma Gandhi had posed to an industrialist. He pointed out to the industrialist that the centralisation of production under one roof was necessary when steam was the motive force for driving machines in factories, since steam could not be transported over long distances. However, he wondered why with the use of electricity, which can be transported over hundreds of miles, production activity could not be dispersed. Of course, transportability of energy was not the only factor for aggregating production activity within large factories. The other reason was the need to control workers. Charlie Chaplin highlighted this in his memorable movie *Modern Times*, in which he poked fun at Ford's concept of the assembly line and the mass-production system.

Nevertheless, Gandhi made a good point. Mental models of how things have to be done often linger when they are no longer appropriate. Hence, the earliest cars looked like horse carriages with an internal combustion engine in place of the horse. It was many years before automobile designers figured out that a car need not have the features required for a horse carriage! It is likely that embedded mental models are preventing us from conceiving a dispersed enterprise, even though information and communication technologies now enable coordination to take place across large distances, making it no longer necessary to have all workers within one's sight as the boss in Chaplin's *Modern Times* factory had to.

Therefore, the answer to the question, 'What will it take to create a market out of India's poor?' is: it will require innovation—innovation in products, innovation in processes, and above all, innovation in the concept of the enterprise. Managers must break out of the imitative mode of learning and copying best practices from elsewhere that are not solutions for our economic challenges and opportunities. Innovations in India should be directed towards engaging more people in economically productive activity, preferably in dispersed networks, and preferably using the skills they have and those they can develop quickly. Using new models of production and distribution, new products and services at lower cost can be created that can meet people's requirements along with the growth in their incomes.

There are many examples of innovations in India that could be the trendsetters. I will name only one, because when it is implemented it will have turned full circle the wheel that Ford set in motion. The Rs 1-lakh car that Tata Motors is developing will incorporate many innovations in the concept of a car. It will also spread the production and distribution activity into many non-traditional formats, thereby engaging a greater variety and greater number of people in the enterprise than in the traditional mass production model. The Tatas are taking a risk by breaking out of the established industrial mould, as all innovators do. Innovations are riskier than applications of proven formulas. However, imitation of current concepts of best practices (generally sought from the more developed countries) may not be appropriate to develop a market out of India's poor. Therefore, we will have to innovate. ■

The author is Chairman of BCG India

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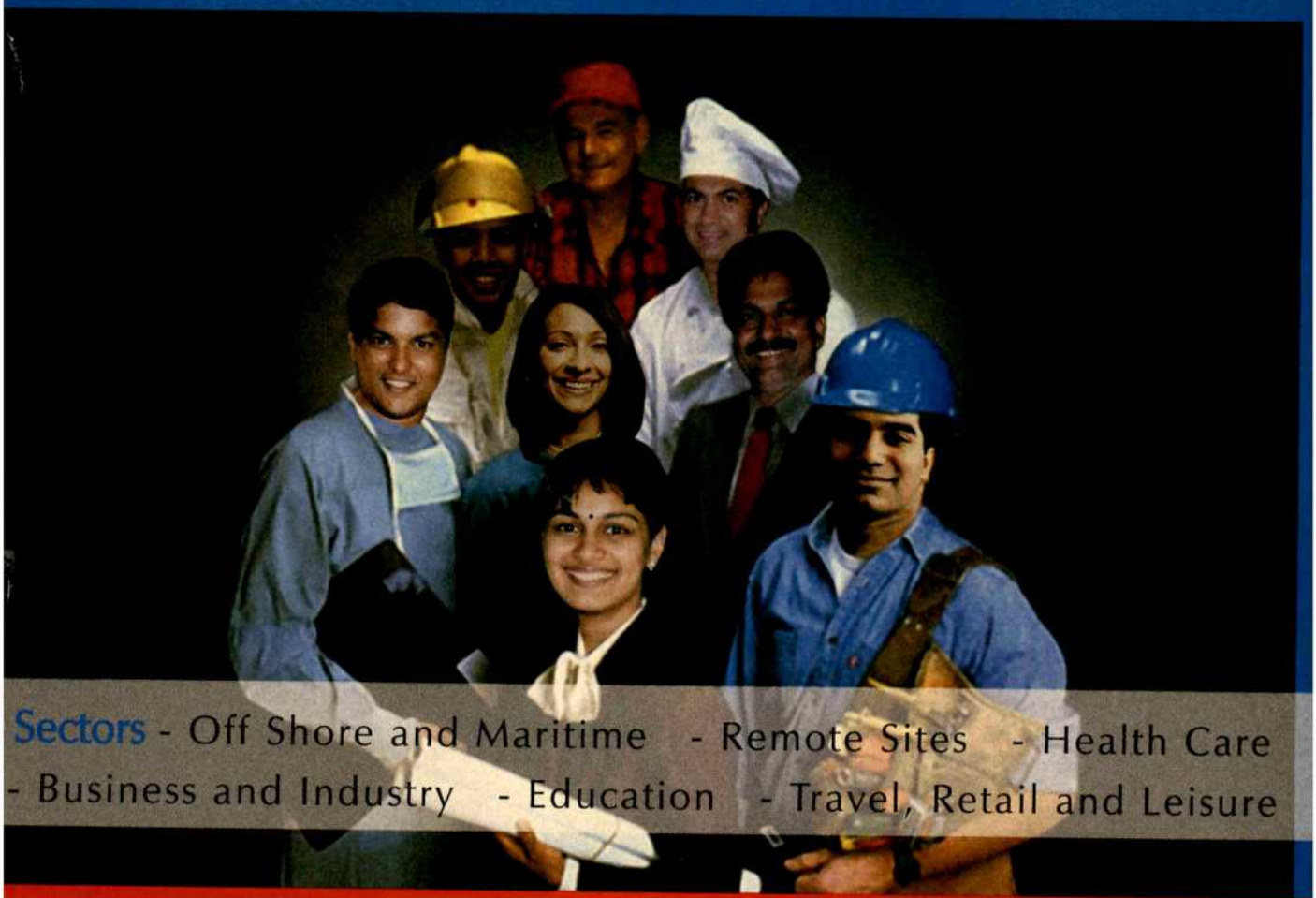

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LOW	up to Rs 35,000

Figures stand for annual incomes
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Made To Order

These innovations have lowered the entry barrier for a number of products...

INNOVATION	PRICE	SIZE OF MARKET
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Mobile telephony	Starts from **50 paisa per minute**	**80 million customers**
Air conditioners	Voltas model **< Rs 10,000**	**1.2 million units**
Colour TVs	20" models starting at **Rs 6,000**	Colour TVs: **9.25 million sets** B&W TVs: **2.5 million units**

Targeting The Bottom Of The Pyramid

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The following initiatives are aimed specifically at the bottom of the pyramid:

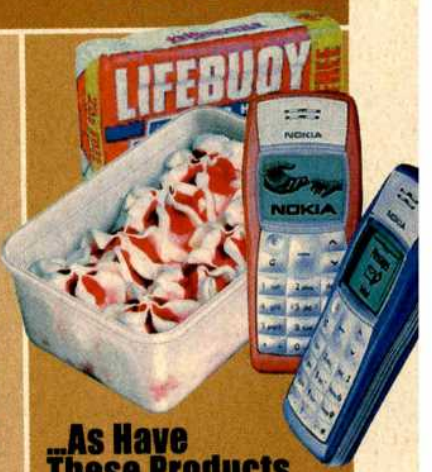
ITC's e-Choupal: This is one of the biggest initiatives by India Inc. Village-level kiosks, connected by the internet, provide information on weather, market prices, scientific farming practices, etc., on a real-time basis. They also serve as village trade centres where farmers can sell their produce and buy a variety of items ranging from household goods, farm implements, fertilisers to insurance policies. There are currently about 5,372 e-Choupals across seven states and 31,000 villages and the company plans to roll out 20,000 more e-Choupals across 15 states and 100,000 villages over the next decade.

HLL's Shakti: This scheme empowers underprivileged women in rural India by providing a micro-enterprise opportunity. The company has set up a network of Shakti Entrepreneurs, who sell HLL products and earn over Rs 1,000 per month. The company imparts training to self-help groups formed by rural women for this purpose. The Shakti model started off in Andhra Pradesh and now extends to Karnataka, Gujarat, Tamil Nadu and Madhya Pradesh, among other states.

Godrej Group's Adhar Project: This is primarily aimed at taking organised retail to the bottom of the pyramid. It has set up more than 15 stores which stock and sell low-end FMCG products and plans to expand this chain over the next couple of years. Adhar's footprint covers Maharashtra, Gujarat, Punjab and Andhra Pradesh.

Tata Chemicals' Tata Kisan: Tata Kisan Sansar is a chain of one-stop resource centres which have been created to offer end-to-end agri solutions, like agro input planning and crop procurement. They even offer advice to farmers on increasing crop yields. The company already has a Tata Kisan Kendra which addresses the agro-input needs of farmers. The chain has a presence in Punjab, Haryana and UP.

Source: Webistes of individual companies



...As Have These Products

- **HLL** Wheel, Lifebuoy
- **Nirma** Nirma Washing Powder, Nima Bathing Soap
- **Nokia** Models 1100, 1600 & 2600
- **Bajaj Auto** Bajaj CT100 motorcycle
- **Tata Indicom mobile** Free incoming for two years
- **Arvind Mills** Newport Jeans
- **Nestle** Munch chocolate bar
- **Amul** Ice-creams
- **ICICI Lombard** Weather insurance

Source: BT estimates

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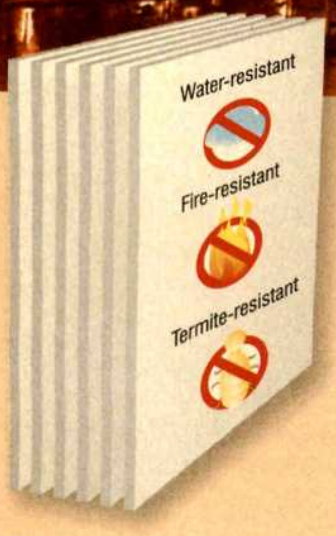

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Wood-based products	Loses structure on exposure to water	Highly combustible	Prone to termite attack
Plaster-based boards	Disintegrates on exposure to water	Limited combustibility	Boards containing papers are prone to termite attack
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FOUNTAINHEAD - 5132 - 05

WHAT WILL IT TAKE For At Least One In Four Indians To Own A Car?

JAGDISH KHATTAR

ONE IN FOUR INDIANS OWNING A CAR IS a grand vision that requires a 35-fold growth in our car-to-population ratio. But it is far less daunting than it might seem at first. Between the most affluent 1 per cent who own a car and the bottom 25 per cent who will not consider buying one for many years, there is a large middle India that has to be tapped.

It might appear that the best way to tap this segment is by making cars cheaper to own and run. There is no disputing that. Affordability, whether through higher incomes, lower taxes or cheaper cars, will certainly take us closer to our vision. But that is only one part of the picture.

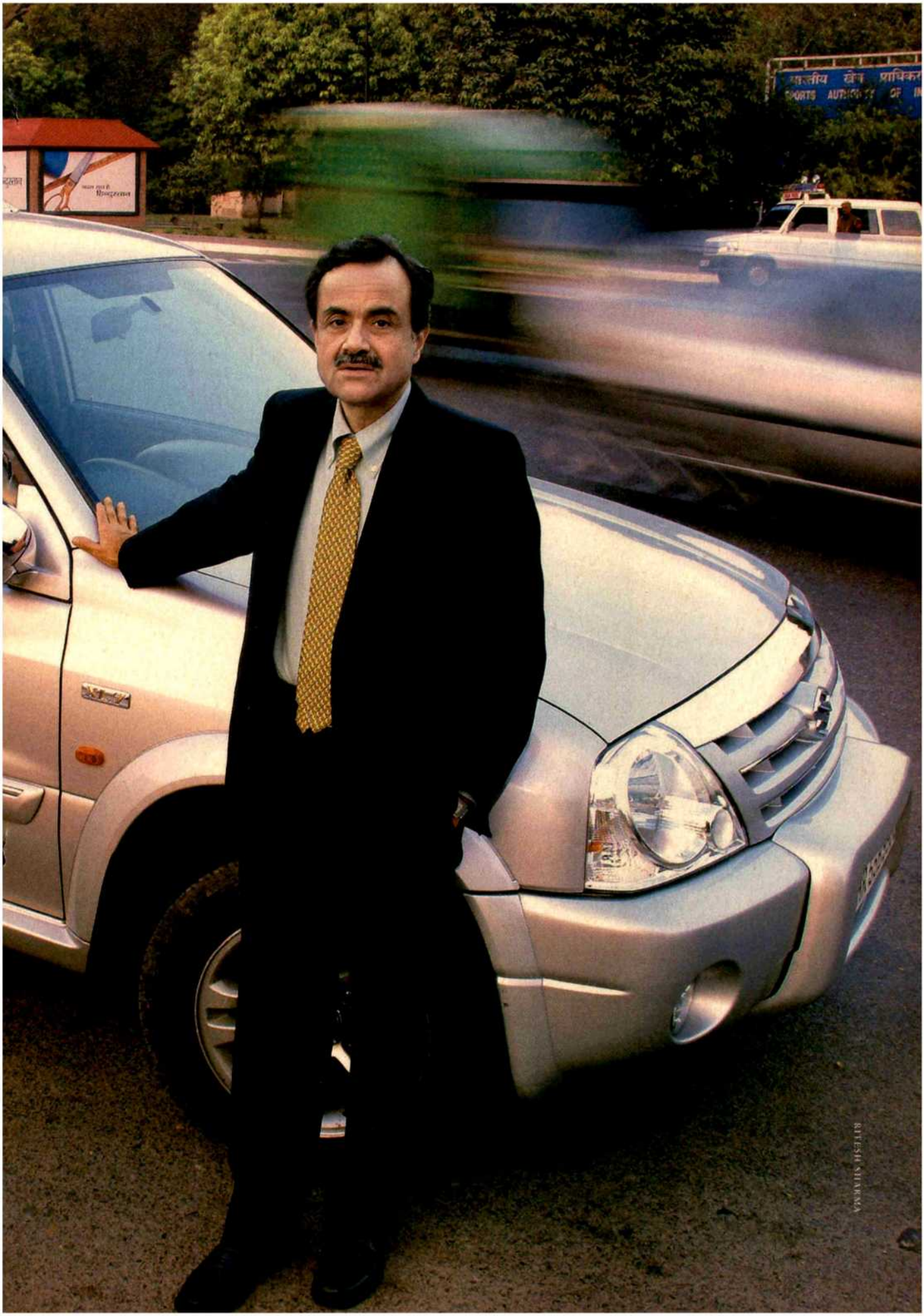
My concern today is not people who cannot afford a car. My concern is those Indians—and there are millions of them—who can afford a car, but do not own one. Nearly 27 million Indians paid income tax a year ago. Most of them can afford a car. If we also include evaders, the number of Indians who can afford a car would be even more. By another thumb rule cited internationally, a family is a potential car buyer as soon as its annual income exceeds the price of a car. This, too, suggests a huge demand for cars in India. Yet there are no more than 7.5 million cars on Indian roads today.

It may seem intriguing that 45 million-plus of these middle Indians have not bought a car yet. In recent years, we have tried to reach out to these people across the country through more sales and service outlets, more salesmen, more collaboration with finance and insurance companies, and even by setting up schools to teach driving. We have not got all 45 million of them to buy cars yet, but the effort has provided fascinating insights.

I find there are many Indians who can afford to own and run a car, but carry a mindset that they cannot. Besides, given that they have lived through years of shortages and that many car companies still do not have outlets in the hinterland, many Indians carry the mindset that availability, too, is a problem.

They are perhaps now waiting for a cheaper car. Or more likely, they are waiting for someone who can convince them that they can afford a car, assure them that their maintenance bills will be far lower than they fear and hand-hold them through the purchase process. We have to do the hard work of reaching out to them, kindling in them the joy and comfort of travelling in a car, teaching them to drive and standing by for them as they take a few tentative steps towards four wheels.

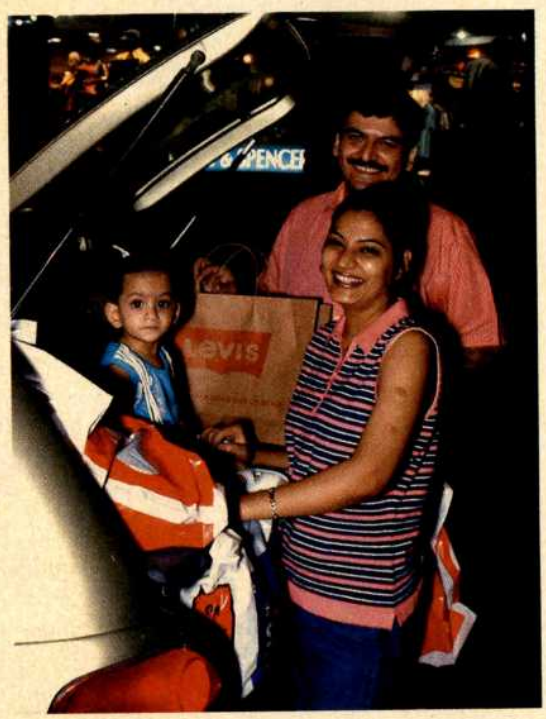
Middle India is waiting for a cheaper car, but also for a more responsive and sensitive car industry that can effectively market and package a car to


BITESH SHARMA

A family is a potential buyer as soon as its annual income exceeds the price of a car. Nearly 27 million Indians paid income tax a year ago, but there are only 7.5 million cars

them. They are waiting for a car salesman who effectively communicates to them the need and purpose of a car, a car mechanic they can rely on and a car insurer they believe is on their side. They are waiting for the car industry to move beyond the cliché of customer delight, and develop empathy for their needs and apprehensions.

Where we have been able to reach out to these people, work on them, win their trust and nudge them into a new mindset, we have discovered a railway gardener here, clerks and mechanics there, and thousands of school teachers everywhere, who can be persuaded to buy a car.



My field team in Punjab was out to generate customer leads at a rural *mela* recently when a group of farmers turned up at the stall. Cash in hand, they wanted to buy Maruti cars. They were offered contact details of the nearest dealership, but would have none of it. They wanted their cars there and then. It turned out that they were apprehensive of finding their way through a swank urban dealership, and preferred delivery of their car in the comfort of a rural *mela*.

There is plenty of such anecdotal evidence to suggest that there is, indeed, a huge potential waiting to be tapped in India. But those customers have to be approached on their terms, on their turf, and in their manner and language.

The car industry is one of the biggest ad spenders today. Most of our advertising appeals, if at all, to the more affluent, inducing them to either upgrade faster or acquire an additional car for the family. We are fighting for the attention of that top 1 per cent, and as in any competitive market, persuading those prospects to choose our individual brand over our competitor's. We have mostly been selling to the converted.

That is fine as far as it goes. But if we have to get one in four Indians to own a car, we have to focus our efforts on prying open new markets and customer segments. We may have to first sell them a car, before we begin to sell them a Maruti car or a Tata car or a Ford car.

One million new passenger vehicles were sold in India last year. In four years, these one million passenger vehicles will be in the pre-owned market, with sharply lower price tags. If, in the meantime, organised players clean up the pre-owned car market by bringing in global practices in pricing, quality and warranty, that could be the quickest way to put a million Indian families on four wheels.

Alongside this, efforts to improve affordability will obviously accelerate motorisation in India. Tata Motors' proposed Rs 1-lakh vehicle will reach out to segments low down in the pyramid. Car companies in India, which have so far succeeded in bringing down costs of operations, will now try work with suppliers to compress time-to-market for new models. The worldwide trend towards commonisation of platforms and collaborative research among manufacturers will help bring down costs in India as well.

Just as customers are altering their mindsets and companies are revamping operations to reduce costs and improve quality, the government, too, has evolved

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The industry's history suggests that multiple factors like income growth, lower taxes, deepening of finance and investment in road infrastructure act in tandem to fuel a boom

a more positive approach to the car industry. The tax burden on passenger cars, like on most "luxury goods", was as high as 60-70 per cent some years ago. It has come down since, and will continue to do so for some time.

All this will serve to unleash a demand explosion. India has 40 million households with an annual income between Rs 90,000 and Rs 2 lakh. NCAER estimates that only 4 per cent of them own a car. While a broad-based GDP growth will help, a few thousand rupees more in these 40 million wallets, or a reduction in car costs by way of lower taxes and more efficient processes, could take us closer to our vision of one in every four Indians owing a car.

Developments in real estate will be another external factor that could impact car growth. Cars compete less with durables and more with housing for a share of the middle-class wallet in India. If India's efforts at urban renewal succeed, and housing becomes more affordable and transparent, it would free some disposable income for purchase of cars.

The history of the car industry suggests that multiple factors act in tandem to fuel a boom. Among the well-known factors are income growth, lower taxes, deepening of finance and investment in road infrastructure. All these, when they coincide, lead to an astonishing growth in motorisation.

But there are other factors, too, like customer care and assurance, clever marketing and a wow product. Although less known and intangible, these factors are equally important today to enable one in four Indians to own a car. Long before Henry Ford unleashed the Model T, his company had the foresight to put in place a sound dealership network, with proper systems for sale and service of cars. At a time when most automobile companies relied on one-off salesmen and fly-by-night operators to peddle their cars, this was a key differentiator that contributed to the Model T revolution.

Likewise, while we know that the Model T was cheaper than all others, it was also lighter, easier to drive and roomier, with seating for five as against the Model N, the popular two-seater that preceded it. In his book, *Wheels for the World*, Douglas Brinkley describes how the Model T was as good on country roads, uphill and through mud, as it was on the paved city streets.

Henry Ford priced the Model T so low that "no man making a good salary will be unable to own one". But the clincher was that while the Model T enabled city dwellers to enjoy the Lord's pastoral delights, rural folk could "use it to pull hay rakes, mowers, grain binders, and even to butcher hogs". Clearly, the Model T was as much about affordability as it was about clever marketing and customer assurance.

There is another hallmark of a car boom: it has to be inclusive. Without cleaner cars, more and better roads, and vastly improved traffic management, we may be faced with community resistance long before we even double our car-to-population ratio. In the early years of the automobile revolution, irate farmers covered roads with broken glass and logs, or simply dug ditches, to prevent movement of the horseless carriage. Others got laws enacted to prevent movement of cars on roads, while a few fired their guns to frighten upstart car owners, or just shoot them down.

Present-day hostility may not be as fatal, but is no less intense. People yet to buy their first car expect car makers to deliver on affordability, while civil society wants safety and emission technology at par with Europe. The car maker will have to, increasingly, strike a balance between growing individual aspirations for a car alongside the community's reluctance to pay the social price for it.

If one in four Indians has to own a car, the Indian car industry has to stop taking a limited view of its role and contribution. While government policies and macro-economic factors will act as enablers for growth, we cannot forget that it is always the car industry that transforms economies and macro landscapes, and rarely the other way round. ■

The author is Managing Director of Maruti Udyog Limited

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MY DREAM MACHINE

How many cars are sold in the country?
In 2004-05, **1.06 million passenger vehicles** were sold in India.

How many Indians own cars?
According to the Ministry of Road Transportation and Highways, the number of cars in India, as on March 2003, was **8 million.** Adding last two years' sales, the number of cars in the country can be estimated to be **9.5 million,** which gives an automobile penetration of **nine per thousand.** But Maruti estimates that there are about 7.5 million cars in India.

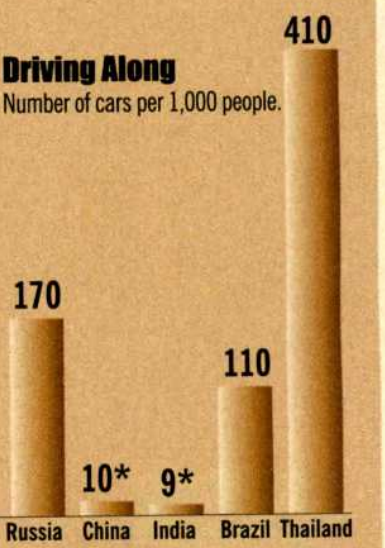
Entry-level car=How many months salary?

CAR: **Maruti Suzuki Alto**
PRICE: **Rs 3.25 lakh**
(ex-showroom, Delhi), including insurance, road tax and registration.

We considered the average starting salaries of a fresh graduate in a call centre, a fresh engineering graduate at a Tier-I Indian IT company, a fresh MBA from a top B-school in an advertising/marketing firm, a graduate from a top B-school in a top consultancy firm with two years prior work-experience, a freshly graduated investment banker at a Mumbai brokerage and a fresh engineering graduate at an engineering/infrastructure company, and calculated the number of months required by him to cover the cost of the car.

- Fresh graduate in a call centre @ **avg. salary Rs 12,500–26 months**
- Fresh engineering graduate at a Tier-I Indian IT company @ **avg. salary Rs 18,000–18 months**
- Fresh MBA from a top B-school in an advertising/marketing firm @ **avg. salary Rs 50,000–7 months**
- Graduate from a top B-school in a top consultancy firm with two years prior work-ex. @ **avg. salary Rs 75,000–5 months**
- Freshly graduated investment banker at a Mumbai brokerage @ **avg. salary Rs 40,000–8 months**
- Fresh engineering graduate at an engineering/infrastructure company @ **avg. salary Rs 35,000–10 months**

What is the size of the pre-owned car market in India?
According to Maruti True Value, it could be anything around **600,000–750,000.** However, Vinay Sanghi of Automart India estimates it to be closer to **800,000-1,000,000.**



*Figures for 2005. Others are for 2004
The US and the UK had car penetrations of 765 and 440, respectively, as per 2002 data

Source: Company data

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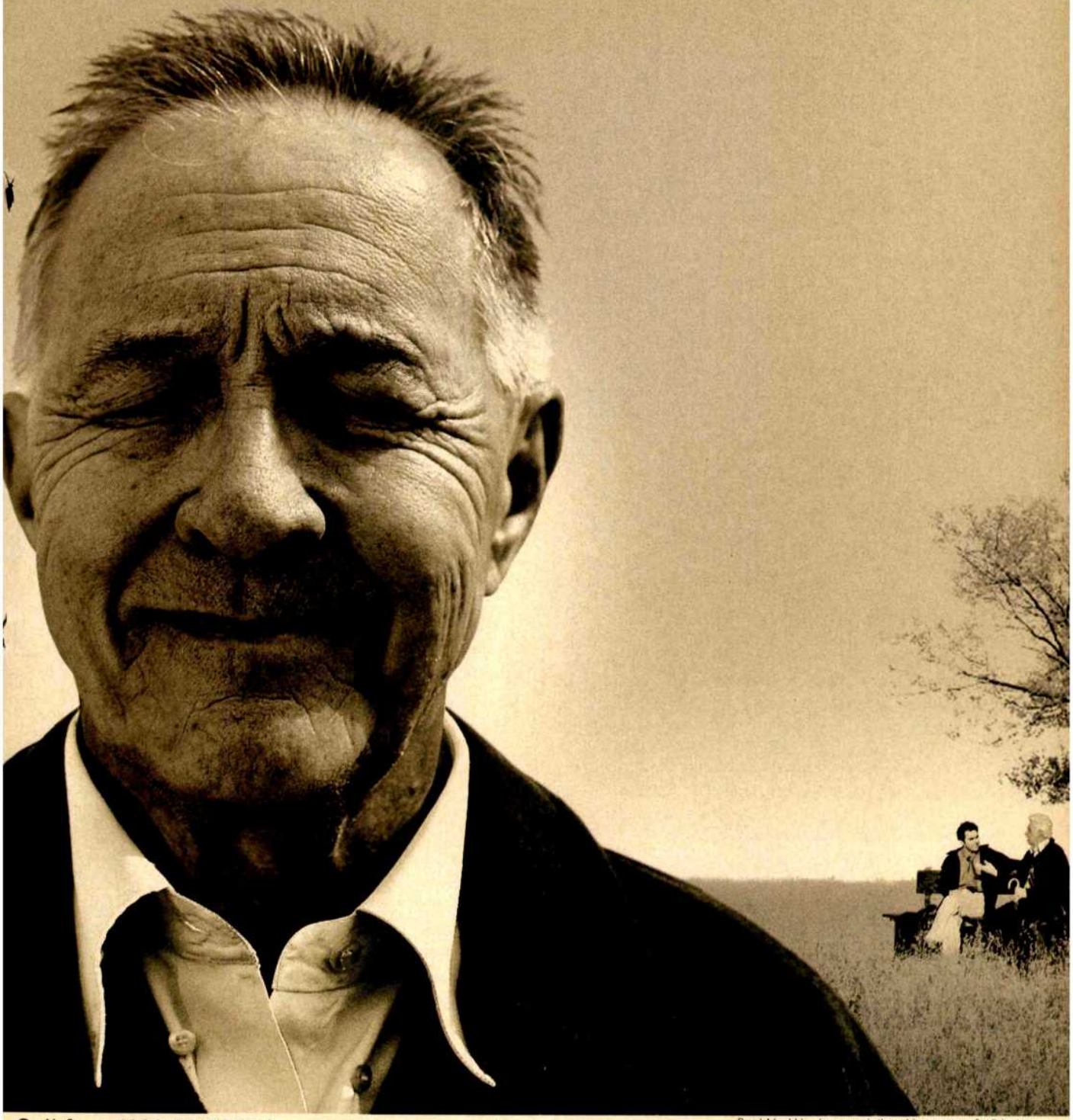

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WHAT WILL IT TAKE To Raise India's Per Capita Income To $250 A Month?

K.V. KAMATH

WHAT WILL THE INDIA OF 2020 BE like? To answer this, we need to look back at the India of 1990 and see the progress we have made in the last 15 years. In 1990, we could not have foreseen the impact of technology, the communications revolution, the rise of the knowledge economy and the growth in consumer demand. When we look ahead at 2020, we should set for ourselves a target keeping in mind the strong foundations that we have established and the likely evolution of global dynamics in the coming years.

India today is exhibiting a sense of self-confidence and optimism that we have not seen before. It is one of the fastest growing economies in the world; and the growth is being sustained and broad-based across a range of sectors. The economic outlook is buoyant and businesses and households are looking forward to the future with optimism and hope. Perhaps for the first time, we are daring to think big and articulate aspirations that we did not consider in the realm of possibility in the past. Thus, a five-fold growth in per capita income over the next decade-and-a-half is indeed something we can realistically aspire to, though it will not be easy and will require the collective effort and commitment of our entire nation to realise this shared vision. We need to look at this in the context of the horizons of growth and the building blocks needed to capitalise on these opportunities.

The highlight of the past decade has been the development of our services sector driving export-led growth by leveraging technology. Rapid advances in technology have led to the dissolution of geographical boundaries and reduced entry barriers for knowledge-based businesses. We have been able to convert this global phenomenon into a growth opportunity by sublimating our knowledge capital into wealth creation. Today, Indian businesses are supporting innovation and operating efficiency in markets across the world. This transformational change over the past decade is only the precursor of further change to come, as technological change accelerates and creates more discontinuity in businesses worldwide. In this challenge lies increasing opportunity for India to build on its foundations.

After a period of restructuring and repositioning, Indian industry has emerged with renewed vigour as a driver of economic growth. Doubts about the ability of the Indian manufacturing sector to survive in an era of global competition have largely been laid to rest, with operational re-engineering and strong focus on quality and efficiency. Today, we are not only competitive in the Indian market, but also in markets across the world. Indian businesses are looking outward and establishing their footprint across the

Financial sector players must rapidly scale up their operations, supported by technology and knowledge capital, and create sustainable propositions for rural India

globe. Again, we are at the beginning of the curve; it is only now that Indian businesses are aspiring to global scale. A parallel development is the establishment of production bases in India by major international corporations. A common thread running through these opportunities is the internationalisation of India. The combination of domestic demand and international expansion should put us on a sustained growth trajectory.

The third horizon of growth, which is as yet largely untapped, is the rural economy. Traditionally, we have viewed rural India as a foodgrains producer and evaluated it in terms of agricultural production. The integration of rural India into the economic mainstream with holistic development of the agricultural and non-agricultural rural economy will create a new engine of growth. We must go beyond the current focus on the quantum of output to encompass productivity enhancements, the composition of agricultural production in the context of domestic and international demand, and the creation of balanced and complete storage and processing facilities. Support infrastructure in the form of irrigation projects, rural electrification, and incorporation of recent developments in biotechnology and promotion of crop diversity, along with the creation of proper marketing infrastructure will add to the profitability of the agricultural sector. This will boost rural household incomes and have a multiplier effect on the demand for goods and services across the economy.

The development of physical infrastructure is critical for sustaining economic growth. We need to make large investments in roads, ports, airports, and power generation and distribution to support business activity. Given the quantum of investment required and the associated risks, the development of infrastructure can only be achieved through public-private partnership models that provide risk mitigation for private entrepreneurs and financiers, while levering private sector efficiency and private capital.

The financial sector has played a key role in India's economic success—by financing industrial investment, working with industry to resolve the problems arising out of globalisation and, in recent years, by meeting the demand for retail financial services that have emerged as a driver of growth in themselves. Today, the financial sector is playing a major role in modernisation and growth of the rural economy. However, the penetration of financial services in India—whether it be credit, insurance or asset management—is still low. Our banking system is small in size compared to other economies. Currently, vast numbers of our people do not have access to formal sources of credit or the protection of life or health insurance. They continue to depend on informal sources for their financial needs and their livelihoods are exposed to a range of risks. Financial sector players must rapidly scale up their operations, supported by technology and knowledge capital, and create sustainable propositions for rural India and the low-income segments of the population, energising their latent potential as drivers of growth.

We must also mitigate the risk of external shocks. India currently imports around 70 per cent of its total oil demand, and increasing oil prices coupled with dwindling supplies are likely to impact the increased economic activity. Energy can, in future, become a constraint to growth. Greater self-sufficiency in energy and a holistic energy security policy should be one of our key priorities.

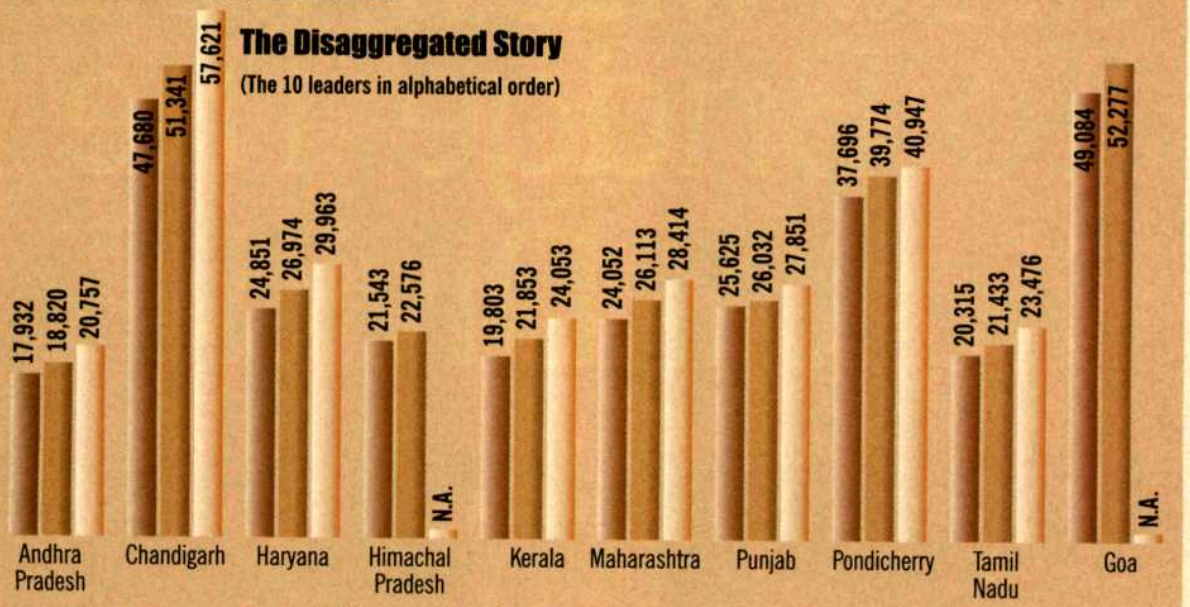
To meet our target per capita income, we need to sustain double-digit GDP growth over the next 15 years. This will require us to focus on all three horizons of growth and all of the enabling measures needed to realise their potential. This is a challenge, but it is achievable. In summary, what we are seeing today is a new era of growth in India. The latent entrepreneurial talent and managerial capabilities of our people have come to the fore and are opening up new vistas of potential for the future. This growth is happening against the backdrop of a vibrant democracy and a robust institutional framework. We must continue to back this up with a supportive policy environment to ensure sustained growth and prosperity. ■

The author is MD and CEO of ICICI Bank Ltd

RAISING THE BAR

The Disaggregated Story

(The 10 leaders in alphabetical order)

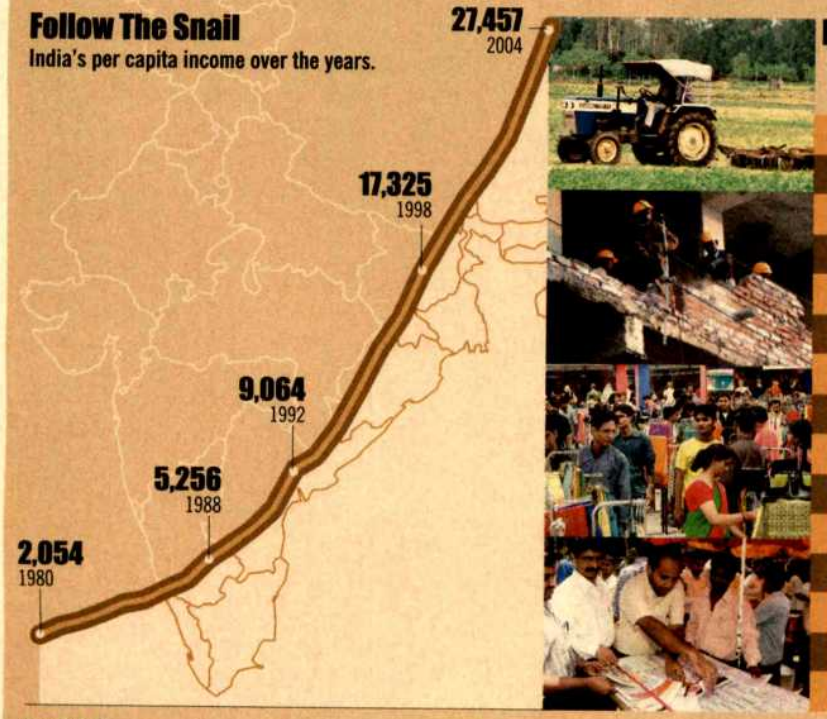


Figures are per capita net domestic product in Rs ■ 2002-03 ■ 2003-04 ■ 2004-05 N.A.: Not available

Source: CEIC, Morgan Stanley Research

Follow The Snail

India's per capita income over the years.



Figures in Rs

How We Stack Up

Rank		Per Capita Income (in $)
1	Luxembourg	69,929
2	Norway	54,521
3	Switzerland	49,305
4	Denmark	44,929
5	Ireland	44,888
6	Iceland	43,576
7	United States	39,934
8	Sweden	38,449
9	Qatar	37,610
10	Japan	36,575
13	United Kingdom	35,460
69	Russia	4,093
76	Brazil	3,417
112	China	1,269
135	India	608

Source: IMF, Morgan Stanley Research

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WHAT WILL IT TAKE To Bridge The Digital Divide?

SHIV NADAR

LET ME BEGIN ON A CONTRARIAN NOTE. THE concept of the "digital divide" as it is understood today is somewhat passé. The term, which has been around for over a decade, has traditionally come to indicate a division in society between the technological "haves" and the "have-nots". The problem with this definition is that it is based on developed country measurement models such as individual ownership of hardware, connectivity and so on.

This creates a bias against developing countries like India, where IT resources are typically shared, and ends up providing a misleading picture of the diffusion of ICT (information and communication technologies) within such societies. In fact, trends over the past few years raise doubts over whether the term is relevant in the Indian context—the sheer pace at which private initiative in IT and telecom has transformed India's access to information through digital means has been breathtaking.

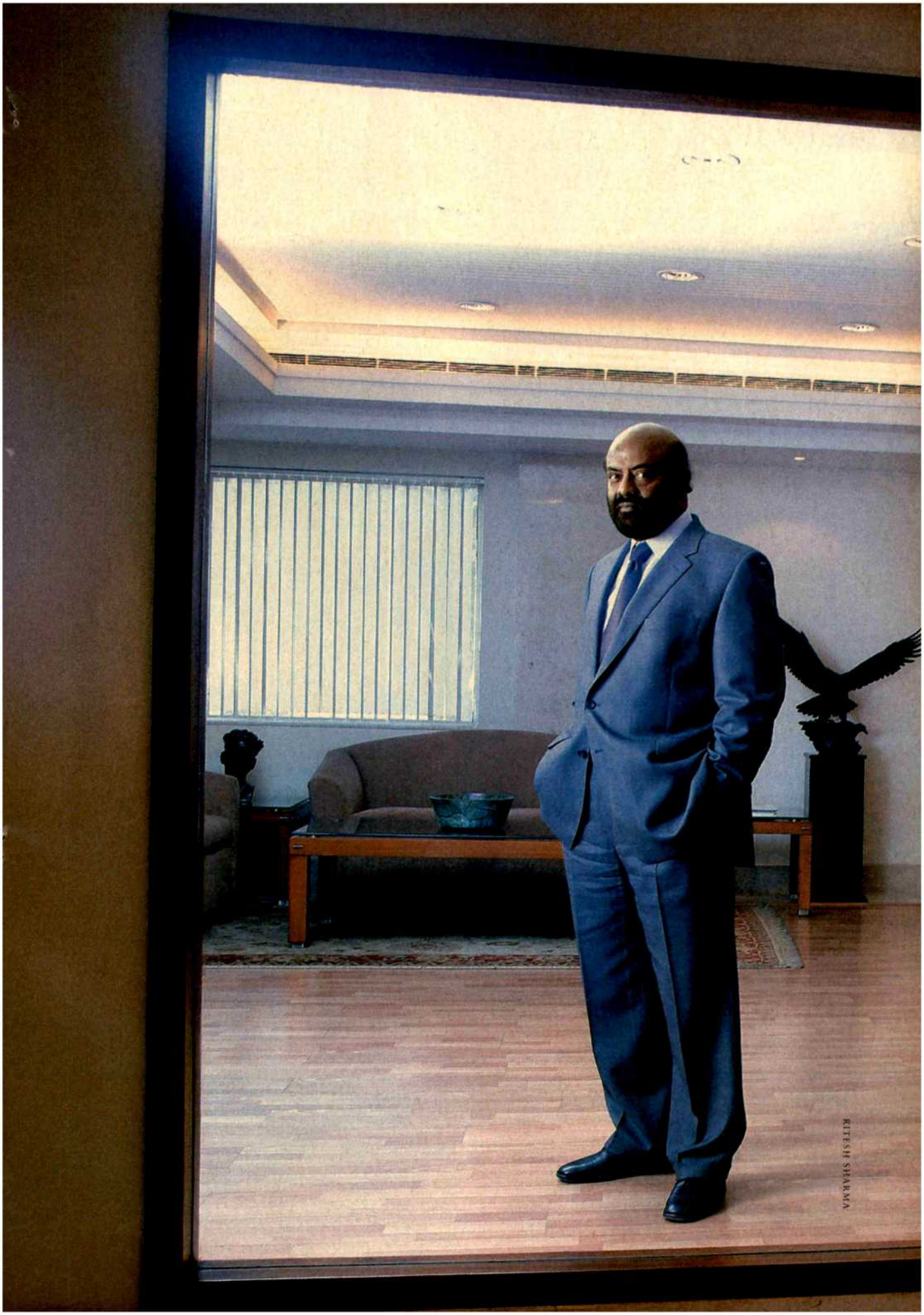
This velocity of change has generated a "digital multiplier" that has ensured a fairly robust diffusion of ICT access. India is far more digitally empowered than what the statistics suggest. With the information highway pretty much wired up, private competition has resulted in the distribution of ICT at rock-bottom rates. Consider this: today, cable and satellite television is available for next to nothing. From having some of the highest telecom tariffs in the world just 15 years ago, India now figures among the lowest, thanks in no small part to competitive mobile access.

Mobile telephony, a showcase for the twin benefits of open regulation and foreign direct investment, is a perfect example of the efficient diffusion of ICT in India. Tele-density in India has jumped from 0.5 per cent in 1989 to nearly 8 per cent in 2004, nearly all of it a result of the growth in the market for mobile phones, which have overtaken fixed line phones in numbers and made India one of the world's fastest growing telecom markets.

Critics will point to the abysmal levels of PC penetration and tele-density in rural India. Often overlooked in this maze of statistics is the great leap rural telephony has made over the past five years through the introduction of the Public Call Office. Today, as a result, more than 60 per cent of the villages in India have at least one phone, no small achievement for a country with more than 600,000 villages.

PC penetration is also poised for explosive growth. Forrester Research in its April 2005 report forecasts that by the end of the decade, Indian PC adoption will reach 78 million by 2010 from 7.9 million in 2004, a compounded annual growth rate of 38 per cent. Separately, International Data Corporation (IDC) states that India continues to be the largest growing nation in terms of domestic IT spending in the entire Asia-Pacific region.

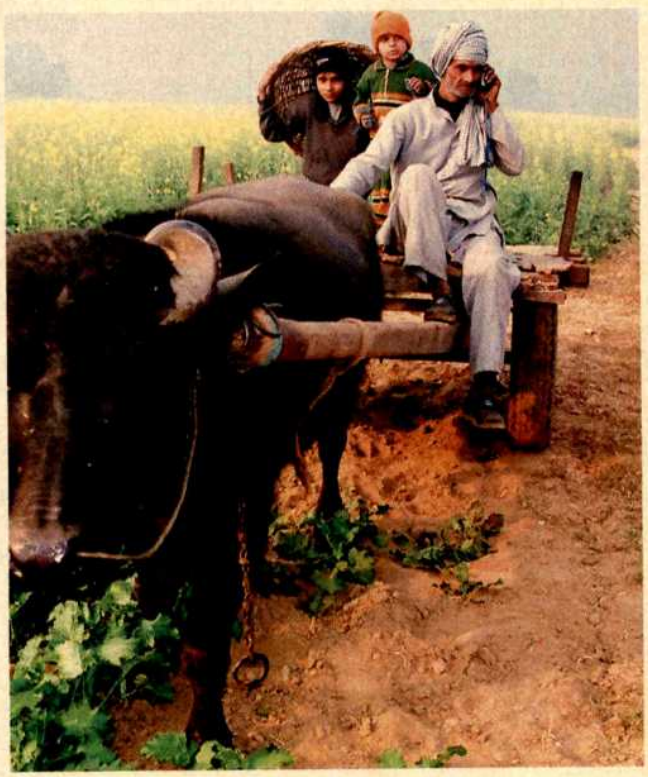
We must acknowledge, too, that India's digital multiplier has been magnified by the fact that there are no social or legal constraints such as censorship and denial of access. China is a good example of a country in which access is institutionally


RITESH SHARMA

From having some of the highest telecom tariffs in the world just 15 years ago, India now figures among the lowest, thanks in no small part to competitive mobile access

circumscribed. Which is why, though it has a high PC penetration and leads India in the Index of ICT Diffusion at 118 to 121, China could well figure among the ranks of the digitally excluded.

Of course, there is no denying that the digitally excluded still outnumber the digital enabled by a generous margin. By the end of 2004, approximately 700 million people worldwide had access to computing and the internet. This is a minuscule proportion of the total global population of 6.5 billion.



LALIT RANA

It is also true that the developing world is particularly afflicted by digital deprivation. For example, as of January 2005, India had a 0.4 per cent internet and 0.2 per cent broadband connection penetration. Considering that the country accounts for roughly 17 per cent of the world's population, it will be an understatement to call this unsatisfactory. Connectivity and access in rural India also remain issues that need to be addressed. The solution, however, lies precisely in what is already happening in India—the fusion of enlightened public policy with energetic private initiative. As C.K. Prahalad points out: "The digital divide is not about lack of opportunity, it is about lack of imagination."

Two kinds of interventions are taking place to accelerate the digital multiplier. First, at the policy level and, secondly, in the realm of private initiative—and both display an abundance of courage and imagination. At the policy level, the government has taken many concrete steps to ensure an investment-friendly environment. The IT and ITES industry has been provided with major breaks such as allowing 100 per cent foreign direct investment (FDI), zero licence fee for entry into the sector and liberalising regulations on overseas investment and repatriation and labour laws to create flexible 24x7 working environments.

I have already talked of the spin-offs from beneficial regulation and competition in telecom. If Communications Minister Dayanidhi Maran's One India plan takes off, fixed line rates will fall dramatically too—and the consequent impact on tariffs and ICT access can only be imagined.

What is more, the government is taking many resourceful initiatives to filter ICT access vertically. Media Lab Asia is one example. This not-for-profit company, started with seed funding from the government to research and innovate ICT relevant for the common man, has already generated a range of appropriate technology, from solutions for the handicapped to low-cost education for rural schools. Initiatives like Mission 2007 led by M.S. Swaminathan to make every village a knowledge centre will also play a crucial role in narrowing the chasm. This is empowering ordinary people in extraordinary ways. Imagine: today, it is possible for poor fishermen in Tamil Nadu to download meteorological data in real time from the US to predict weather patterns at sea.

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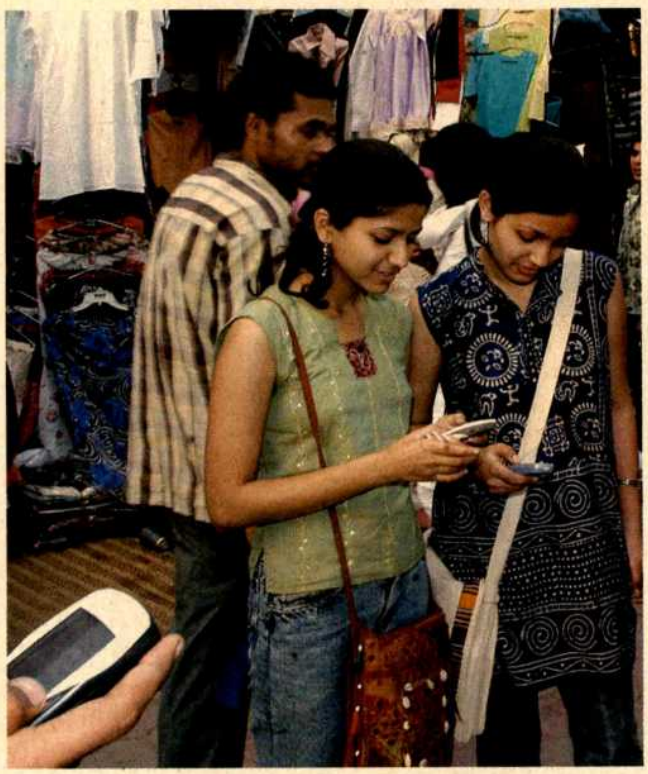
What we need today is not radical new policy initiatives, but much more of the same opportunistic creativity and enlightenment that has already put India on the digital map

Programmes such as these have created a natural momentum for private enterprise and encouraged corporations to introduce a range of enabling technologies that exploit the opportunities presented by economic reform. Many of these are classic Prahaladian "bottom of the pyramid" initiatives that leverage pure business aims to achieve social objectives. The offer of a multi-lingual Windows XP starter edition, licensed and built exclusively for India and intended for speakers in nine Indian languages, is one such example. Another is Microsoft's adoption of 100 schools in six states to transform education through ICT-based learning. Microsoft is also partnering the government to spread local language computing and e-governance.



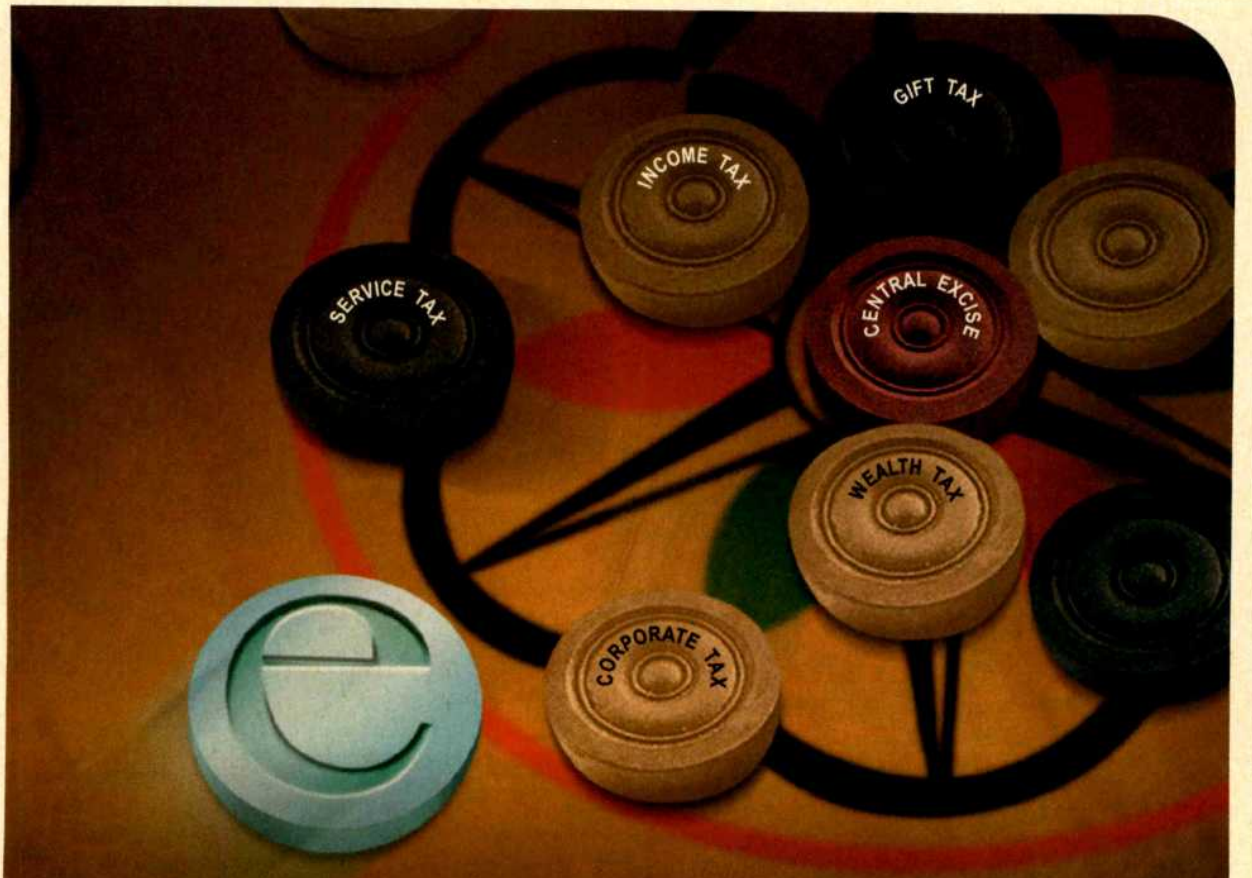
SHOME BASU

As India's original "garage start-up", HCL has been hardwired into India's digital multiplier right from the start. It was HCL that spawned the concept of computer literacy and education way back in 1981, identifying a yawning gap between the growth in technology and education at the user level. NIIT was born out of the drive to plug this need gap and has become the leader in IT education by empowering millions of people not just in India but parts of Asia too.

Many more technology penetration initiatives from HCL are empowering individuals and industries. It is HCL that pioneered the sub-Rs 10,000 PC and has taken connectivity to remotest parts of India by setting up the country's largest V-Sat network. India's banking network has virtually been set up by HCL. It has built networks for close to 5,000 branches and 6,500 ATMs across the country. The financial markets, too, are powered by HCL's IT infrastructure. Traders in any part of the country enjoy real time connectivity to country's leading stock exchange. HCL is also developing a comprehensive solution to help the market regulator monitor the market. Indian corporations are bridging the digital divide internationally too. HCL is engaged in mission-critical work on next generation aircraft, implantable pain-relieving medical devices and remote monitoring of complex IT infrastructure. Such high-end work is being carried out of design and development centres based in India.

Overall, it is fair to say that India has made far more progress in the spread and diffusion of ICT than traditional notions of the digital divide suggest. What we need today is not radical new policy initiatives but much more of the same opportunistic creativity and enlightened policy that has already put India on the digital map. Ten years from now, I can confidently predict that this momentum will place India high among the world's digitally empowered nations. ■

The author is Founder of HCL Group



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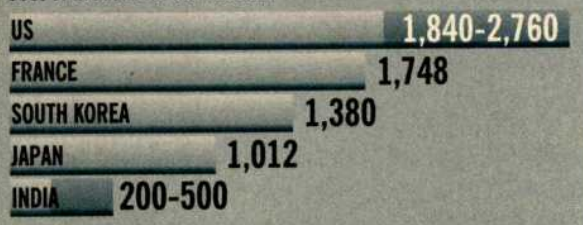
TOWARDS A WIRED WORLD

Cyberia's Still A Long Way Away...

India has a lot of catching up to do.

...Though We're Among The Cheapest

Cost of broadband connection.



Figures are tariffs in Rs per month

Five Obvious Advantages

Bridging the digital divide will result in:

1. More responsive, effective and transparent governance
2. Better and equitable education
3. Better healthcare and well-being
4. Significant positive impact on the GDP (the input-output multiplier has been computed to be 2.466! This means for every unit of input, there are 2.466 units of output)
5. Dispersion of employment opportunities away from the big cities

Some Numbers Of Note

10 lakh schools across India have mandatory computer courses

3 lakh graduates join the IT workforce every year

1.2 lakh IT professionals join the workforce every year

Rs 4,50,000 crore is the cost at current prices of providing access device, connectivity, hardware and software to every Indian.

Rs 4,95,000 crore will be the size of the global offshoring market by 2010

50% of that is expected to come to India

88 lakh jobs will be generated in this sector by 2010

5 lakh is the estimated shortfall of skilled IT workers by 2010

Source: Nasscom and *BT* Research

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THE ASPIRATIONAL CHALLENGES

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VIJAY GOVINDARAJAN
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R.A. MASHELKAR
On What will it take for a resident Indian to win a Nobel Prize?

RAJYAVARDHAN RATHORE
On What will it take for an Indian to win an Olympic Gold?

WHAT WILL IT TAKE To Achieve Universa Quality Educatio

AZIM PREMJI

A COLLEAGUE IN OFFICE COUGHS UP RS 20,000 per month as school fees—for he wants his child in a school with great infrastructure, access to all kinds of sports and art, access to internet and technology; and the school claims to build leaders of tomorrow. For some parents, a school's board examination result is the primary measure of quality. Many families consider the rigour and discipline of convent education as the benchmark; others aspire to send their children to English-medium schools.

Given such diversity of aspirations, what form of quality education should we attempt to universalise? To build universal perspective on quality education, it is important to understand quality, not in the context of varied individual desires, but in the context of the kind of society India aspires to be. Let me explain.

India was born again in 1947 with the promise of democracy. The premise of democracy is that every citizen is intrinsically and equally worthy. It presumes that each person is independent in his/her ability to think, act and live. It believes each citizen is capable of seeing the ethic of equity, the essentiality of diversity, the ethos of justice, and is, thus, driven to social action.

If education is charged with the aim of creating such a society, then one can arrive at the touchstones of quality—an education that is equitable; an education that helps children develop into independent thinkers, creators and actors; and an education that embodies them with the spirit of social sensitivity and a

Before we begin to look for solutions, I wi some assumptions.

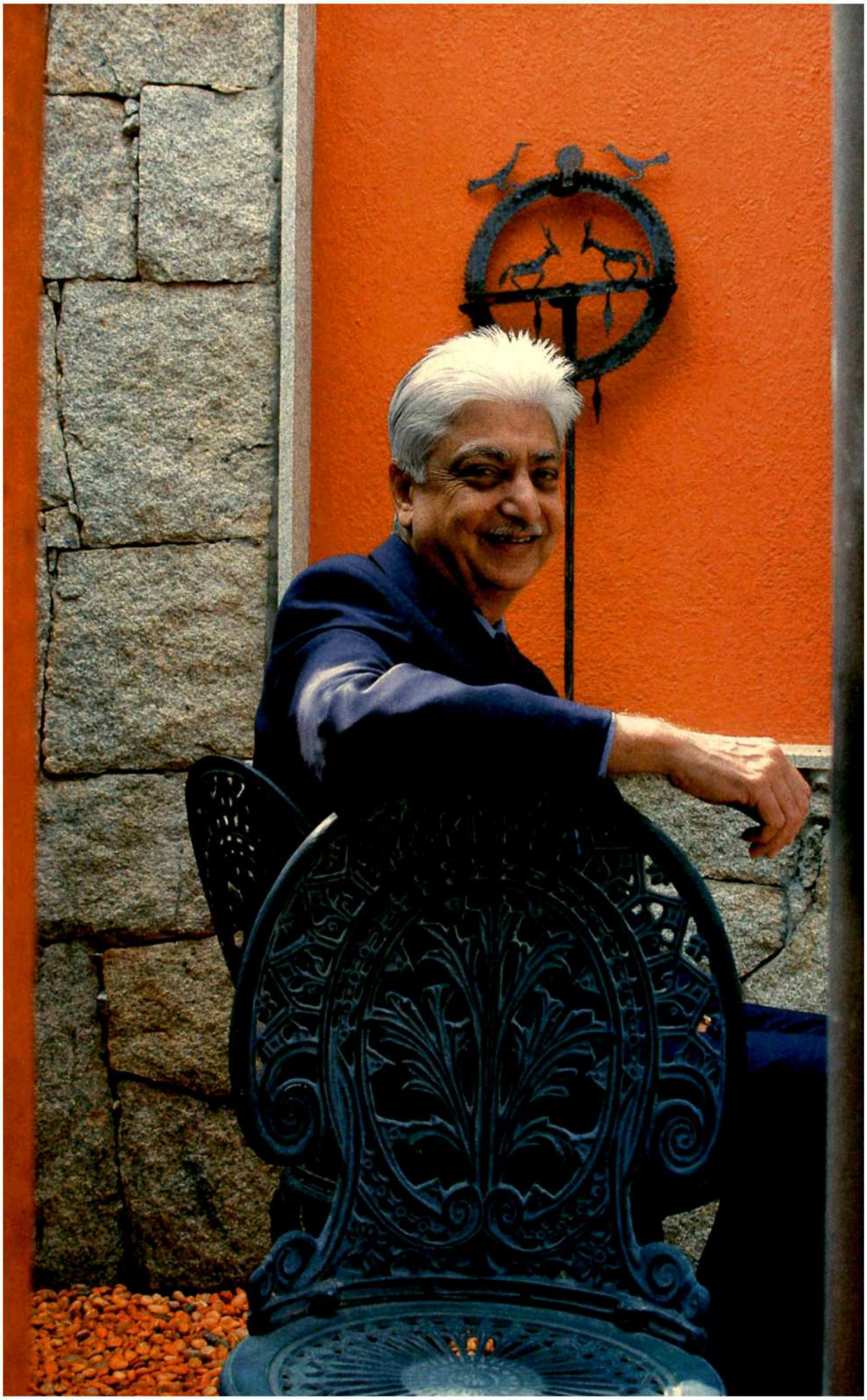
The first assumption is that there are no sin lutions. Here is one example: in many states, a huge shortfall in the number of teachers nee government schools. This shortfall exists f reasons: insufficient funds to pay teachers' salar a lack of qualified teachers. The government sc para-teachers. Para-teachers are not profess qualified, and they are paid minimum wages t temporary job contracts.

The second assumption is that the solution expensive and will take time. In the above ex the solution lies in opening more teacher t institutions, and in making the teaching pro more attractive to young people—by improv work environment and by paying full salarie

The third assumption is that we cannot p complete route to quality education, for talking of a truly macro-system with eno legacy and rigidity. What we need to do i cognizant of the goal, and to take confide steps in the right direction. With every step w we need to evaluate where we have reached planning the next step.

With these assumptions in mind, I will ela on some key issues which I think will trigger of further action. These are a sub-set of the m tions we need to take to impact school qualit

Despite the progress made in the past two d we are still a long way from offering ever



Examinations have replaced all else to become the divine aim of education. Perhaps doing well in exams is a ticket to a good future, perhaps it is not

quality access to a school with sufficient classrooms, toilets, drinking water, playground, teachers, learning material, quality mid-day meals, timely text books, etc. Additionally, the concept of maintaining school infrastructure or recreating those that are dilapidated does not exist.

A recent newspaper report suggests these will cost us 8-10 per cent of our GDP—close to three times current levels. The experience of other nations suggests there is no alternative to this kind of investment in education. This is clearly within our control, and we have to fix this problem on priority without excuse—we should target for achieving this by 2007. I would strongly advocate using the education cess exclusively for such capital expenditure.

Business Today has thousands of readers. Let me hazard a guess—not one of us has a child studying in a government school. This is the first symptom of inequity—that today, there is a different school for each section of society.

The rich send their children to air-conditioned international schools; the urban middle class send their children to popular private schools; government servants send their children to Kendriya Vidyalayas; and if you are a parent above poverty line, you might attempt to send your child to an English-medium school. These only account for a fraction of society, for 9 out of 10 children in India are enrolled in government schools. If you are in a tribal area, the closest school might be a non-formal education centre with an unqualified teacher. If you are a migrant daily-wage worker, your child probably does not go to any school.

This is just the tip of the iceberg. To go deeper, we have to witness the second symptom of inequity—the classroom. The first indicator is the unequal and often autocratic teacher-child relationship. Then, there are the hierarchies among the children—defined by academic performance in urban private schools, and by gender and caste in rural government schools.

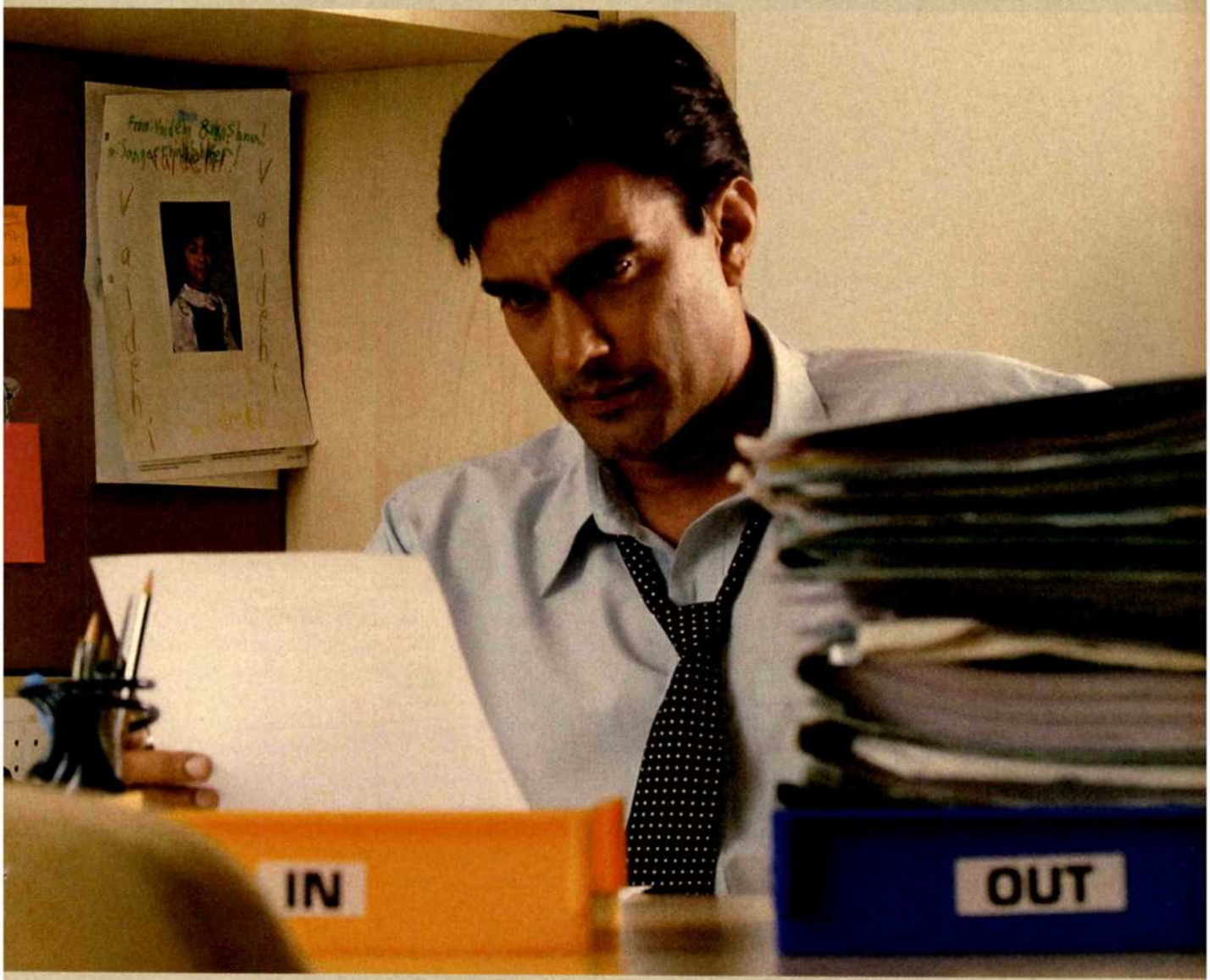
There is one other indicator, one that is not immediately apparent. Equity does not mean everyone is the same, but that each is equal though each is different. Respecting that each child is different, and customising the teaching-learning process to each child's requirement, is also a subtle form of equity. To me, this is the most powerful manifestation of true equity. Almost every classroom in our country (even those in elite, expensive and popular schools) fails this test.

To me, the idea of creating neighbourhood schools for all children, irrespective of socio-economic background is deeply appealing. Many would argue that societal inequity is at an extreme, and that this is no longer feasible. To me, the same reason offers strong argument for such schools. To begin with, it will force the government system to drastically improve quality levels. Eventually, I feel it will unleash a wave of change towards better schools and a more equitable society.

To me, curriculum is a term that encompasses three questions—why we teach, what we teach, and how we teach. Here are some ideas, many of which are mirrored in the National Curriculum Framework of 2005.

Our schools have become so caught up in the act of teaching that they have lost track of why they exist in the first place. Today, it seems we teach so that students can do well in exams. Examinations have replaced all else to become the divine aim of education. Perhaps doing well in exams is a ticket to a good future, perhaps it is not. Yet, this link is so strong in our minds, that we willingly sacrifice our

Loyalty comes at a premium. Thankfully, it's small.



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What will it take for our schools to re-vision their raison d'etre? Schools have to become places that help children grow as creative, critical and caring citizens

children's curiosity and talents for "good results".

What will it take for our schools to re-vision their raison d'etre? Schools have to become places that help children grow as creative, critical and caring citizens. Schools have to become places where our society lives its ideals.

Closely related to this is the question of what we teach. The operating paradigm is that there is a body of knowledge that already exists in mutually exclusive disciplines such as science, social science, math, language, etc. Typically, this is a random collection of information (the Battle of Panipat was fought in...), definitions (a trapezoid is...), laws (Newton's First Law of Motion is...), and algorithms ($[a+b]^2 = a^2+b^2+2ab$). This forgets that the world around us is inherently whole. The tsunami is a study of geography, science, politics, management, finances and human relationships. Through the manicured disintegration of the world into subjects, topics, and chapters, we lose the essence of the synthesis and the inherent synergy of the whole.

We teach children that this body of knowledge is a static entity; that it has already been created and packaged—and the child's job is to possess this end product. It also devalues the importance of local knowledge that exists in the child's immediate environment. A simpler malaise is the notion that art, craft and sport are extra-curricular activities—as if they only lie on the fence of existence.

Finally, the question of how we teach. We teach for examinations that test the student's ability to recall information/algorithms. Hence, teaching invariably becomes a didactic and mechanical one-way process—and children respond to this with rote learning. True learning happens when children construct their own meaning. One does not learn the laws of motion by remembering definitions. Rather, you learn when you observe motion, hypothesise, test, make inferences, validate, and so on. This process of learning by self-discovery, guided by the teacher, is what leads to true understanding. In turn, this will help the child become an independent thinker and learner.

Today's top-down control structure of education management needs to be replaced with a structure with the child at the centre. For the teacher, the child's context, status, preferences and interests becomes the primary input to develop curriculum. The school and community, in turn, support the teacher with physical and developmental resources that the teacher requires. The local government official now supports and mentors the schools; he stops being a controller. In this flat concentric structure, management, autonomy and accountability shifts to the school.

Creating conditions for such autonomy and accountability is not an easy process, especially in the current hierarchical, top-down, ruthless bureaucratic system. This issue needs to be addressed at multiple levels:

Shifts in the mindset: From activity and programme orientation to outcome orientation, from inward focus to stakeholder focus, from top-down control to systemic mentoring and support.

Openness and transparency: Make outcomes of the schools, including teacher performance, transparent to the community. Create a culture of openness throughout the system.

Unity of action: Align the many components of the education delivery organisation—such as the administration, academic structure, school committee and panchayat—to achieve a well-integrated action towards excellence in delivery.

Continuous capacity building: Target continuous development of the people responsible for delivering education—the education functionaries, teachers, school leaders, community members.

India has a rich tradition of leaders who dreamt big and dreamt ahead of their times. Over the past decades, however, I feel we have become a reactionary society. This will not do. If we would like to achieve universal quality education, as a nation, we have to dream big again. We will need to act with vision. And we have to act with the same kind of courage and commitment we demonstrated during our years of struggle for freedom. And yes, we must never compromise on our Constitutional values. ■

The author is the Chairman of Wipro Ltd

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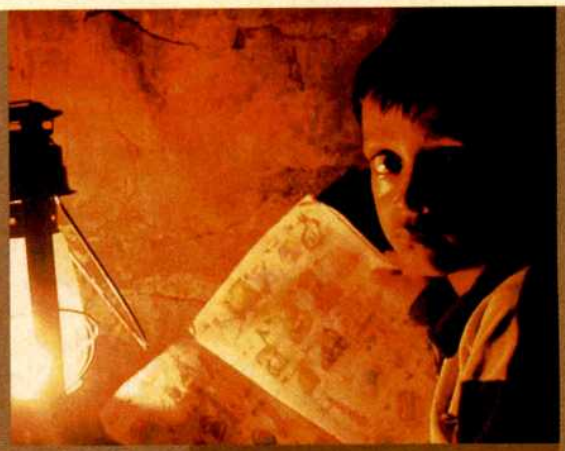
A LETTERED WORLD

How is literacy defined in India?

The National Literacy Mission defines literacy as acquiring the skills of reading, writing and arithmetic and the ability to apply them to one's day-to-day life. This means: self-reliance in the 3 Rs, becoming aware of the causes of deprivation and moving towards amelioration of their condition by participating in the process of development, acquiring skills to improve their economic status and general well-being, imbibing values of national integration, conservation of environment, women's equality and observance of small family norms.



The Problems

- Child labour
- Poor parents opting for more children than they can feed and school
- Conventional bias against girls' acquiring education
- Absence of basic teaching infrastructure and teachers
- Funding for elementary education is inadequate, and a good part of that remains underutilised

The Tools of Literacy

The following schemes directly address the problem of illiteracy

- **National Literacy Mission**
  FUNDS ALLOCATED: Rs 443 crore in 2005-06
  GOALS: To attain full literacy by imparting functional literacy to non-literates in the 15-35 age group
  STATUS: More than 106.7 million people have already been made literate under this programme.

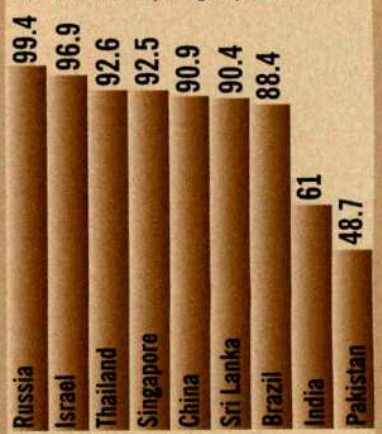
- **Sarva Shiksha Abhiyan**
  FUNDS ALLOCATED: Rs 4,386.47 crore in 2005-06
  GOALS: To provide free education to every Indian child between 6 and 14 years
  STATUS: The number of out-of-school children has come down from 2.3 crore in 2003-04 to 81 lakh by September 30, 2004.

- **National Programme of Nutritional Support to Primary Education**
  FUNDS ALLOCATED: Rs 1,675 crore in 2005-06
  GOALS: To inspire retention at the primary school level
  STATUS: 10.88 crore children covered during 2004-05. In all, 20 states and seven Union Territories have fully implemented it while eight states have partially impemented it.

- **District Primary Education Programme**
  FUNDS ALLOCATED: Rs 492 crore in 2005-06
  GOALS: To reduce dropout rate to less than 10 per cent between class I and V and to reduce disparities among gender and social groups to less than 5 per cent
  STATUS: About 177,000 new teachers, including para-teachers appointed and so far opened 160,000 new schools.

How India Stacks Up

This is what the peer group looks like



Figures are literacy rates in per cent

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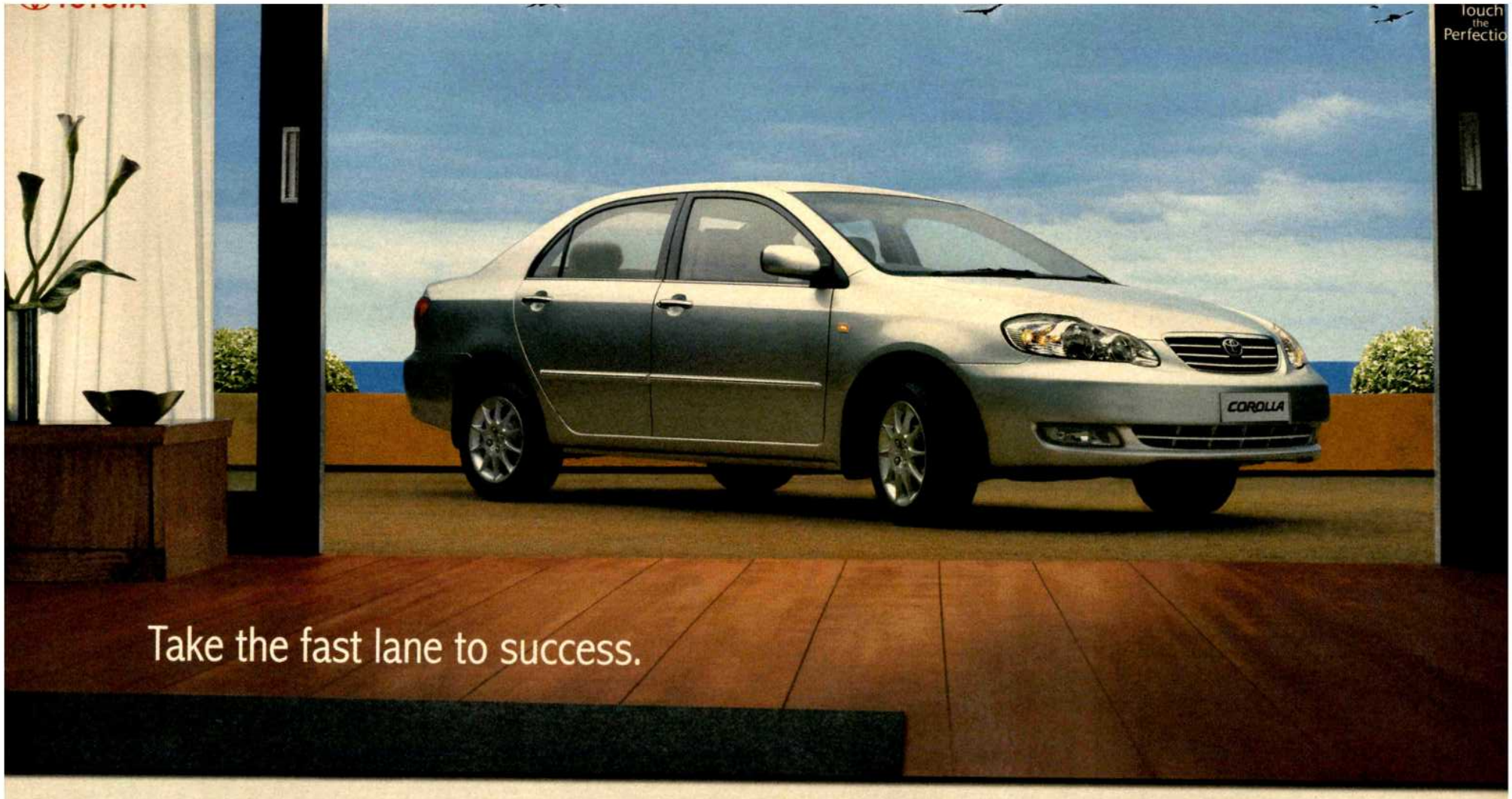

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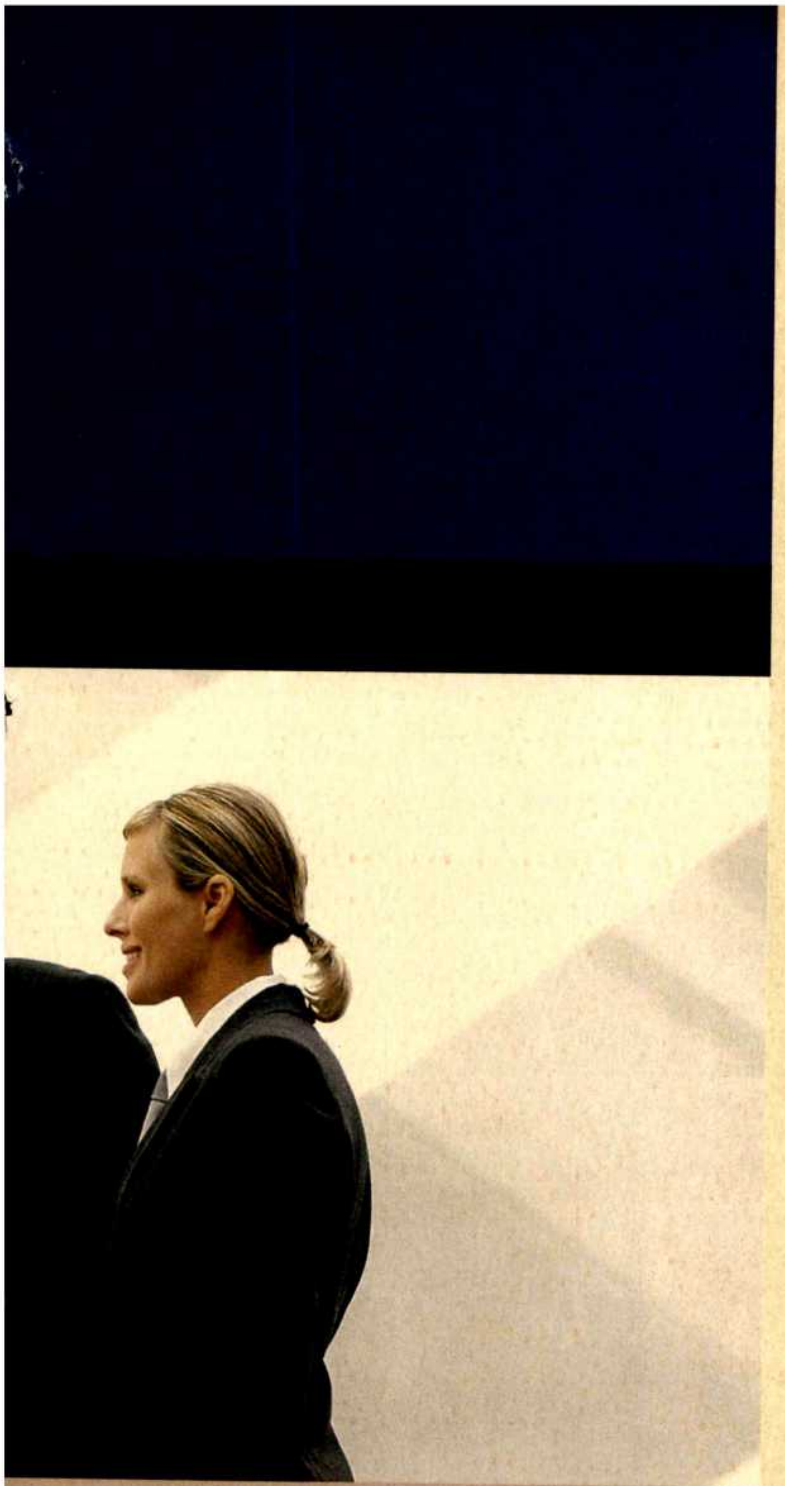

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WHAT WILL IT TAKE To Become A Nation Of Innovators?

VIJAY GOVINDARAJAN

INDIA HAS MADE MOMENTOUS PROGRESS OVER THE last 10 years, but it has done so primarily by reverse engineering products introduced in the West, imitating solutions invented elsewhere, and being a low-cost outsourcing hub. If the country is going to continue to grow, it will have to learn a new set of tricks. It will have to become more innovative. Fortunately, India is a young country. Half its population is under the age of 25. These young people are creative, bright and optimistic about the future. Sadly, their opportunity to contribute to the Indian economy is barred by a number of obstacles at both the corporate and policy levels. Only through a judicious choice of interventions at both levels can India realise its ambition of becoming an economic superpower.

My co-author, Chris Trimble, and I studied dozens of corporations over five years (*Ten Rules for Strategic Innovators: From Idea to Execution*, Harvard Business School Press, 2005). Our research indicates the biggest barrier to encouraging innovation in large corporations is their management orthodoxies that support existing businesses; they get in the way of encouraging breakthrough new businesses.

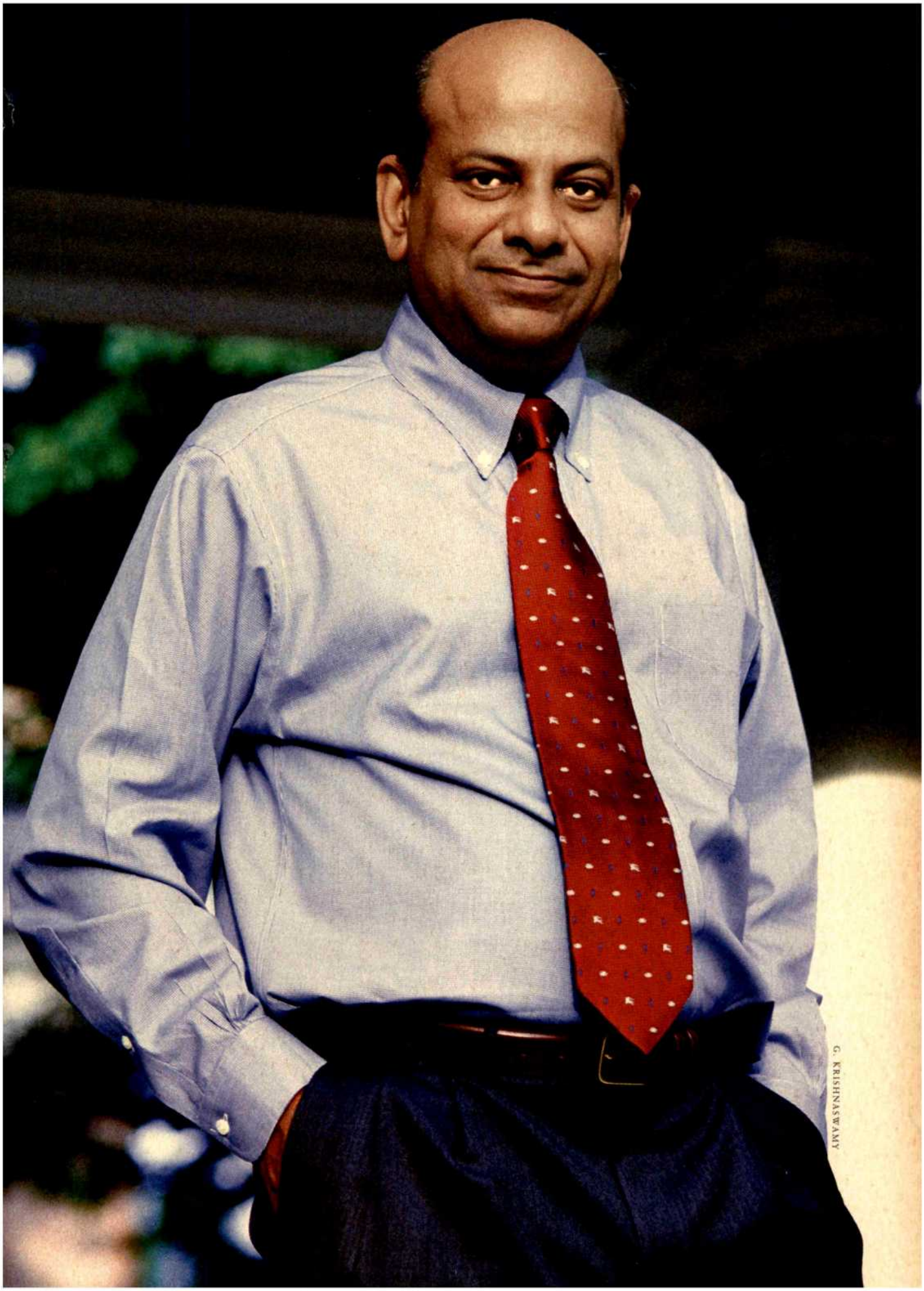
There are, of course, exceptional Indian success stories. For example:

- Using the power of digital technologies, ITC's e-choupal project has transformed the rural sector, both to dramatically increase farm productivity and to help farmers realise better prices;
- Aravind Eye Hospitals provide world-class eye care at a very low cost to millions by fundamentally reengineering the healthcare value chain;
- Tata Motors has led the way in designing, engineering and manufacturing a high-quality automobile, Indica, cost competitively using 100 per cent indigenous resources;
- ICICI has radically changed the rules of the game in the financial services industry through such innovations as internet banking and electronic payment systems.

Large Indian corporations have tremendous advantages in creating fundamentally new businesses-assets like brands, customer relationships, core competencies and manufacturing capacity. Independent entrepreneurs might spend years building these things from scratch. The trick for large companies is to lend their assets to breakthrough new businesses without stymieing the newcomers with irrelevant thinking. ITC's e-choupal and Tata's Indica are good examples of how to do that.

Building a new business unit must be approached carefully if a breakthrough idea is to have a chance. The new business must be designed to overcome three fundamental challenges, specifically, forgetting, borrowing and learning. That is, it must forget the parent company's success formula, borrow the parent's resources, and learn how to succeed in a new environment.

Most large companies underestimate just how difficult it is for an organisation to shake itself loose from its past. Organisations, understandably, become very complex machines—machines hardwired to excel in the current game. As a company grows bigger, employees become more specialised, and the



G. KRISHNASWAMY

An organisation's DNA contains many reinforcers of behaviour. NewCo's DNA must differ from CoreCo's and that means a different approach to hiring, planning, etc.

number of people who understand how the machine works as a whole dwindles. Then along comes an idea for an innovative new business. Step one in building it is to destroy the hardwiring. In creating the new business unit, which we'll call NewCo, you must question every assumption about the way the core business, aka CoreCo, works. That's a tall task that we call "forgetting".

NewCo (e.g., ITC's e-choupal) has a business model that differs fundamentally from CoreCo (e.g., ITC's tobacco business). The challenge of "forgetting" is to ensure CoreCo's success formula is not imported to NewCo. This is much easier said than done. In our research, we observed many cases in which NewCo's managers could clearly articulate the differences between NewCo's and CoreCo's business models, but still exhibited behaviours more befitting CoreCo.

An organisation's DNA contains many reinforcers of behaviour. NewCo's DNA must differ from CoreCo's, and that means a different approach to hiring, promotion, leadership style, planning, assigning status and authority, defining relationships between groups, evaluating business performance, and more. For NewCo to succeed, it should be mostly staffed with outside hires at both the operational and management levels. It is unrealistic to expect CoreCo's long-term employees will easily abandon its business definition unless they are regularly challenged by an outside perspective. Only outside hires can give this external perspective. Therefore, large Indian corporations must rethink their "promotion from within" policy when it comes to staffing NewCo.

Even while it is trying to distinguish itself from CoreCo, NewCo must borrow from it. CoreCo's wealth of resources and assets endows NewCo with its biggest advantage over competition. Thus, the challenge of "borrowing" is to provide NewCo with access to these resources in a way that does not damage CoreCo's own commitment to excellence. This involves creating a small number of carefully selected links between new and parent companies and assigning the CEO responsibility for managing these links. The CEO must ensure NewCo can access CoreCo's resources without readopting the latter's DNA, thus, securing both CoreCo's competitive position and NewCo's future.

NewCo's business is highly uncertain. It must systematically resolve the specific unknowns as quickly as possible and zero in on the best possible approach. "Learning" is not easy. Many innovators figure if they are brave enough to face their failures without flinching and evaluate them rationally and dispassionately, they will learn. But learning is much more likely when innovators implement a disciplined process for articulating and testing hypotheses about how their new business will succeed.

Indian corporations must rethink their performance evaluation systems. They should evaluate leaders of NewCo based on their ability to learn and make good decisions, rather than on results. Though accountability to plans is an effective practice in mature businesses, it can be crippling in new high-potential businesses.

Tackling these three challenges—forgetting, borrowing and learning—creates stress. Learning leads to stress because it requires a distinct approach to planning, with an analytical discipline that is much different from the operational discipline of execution and

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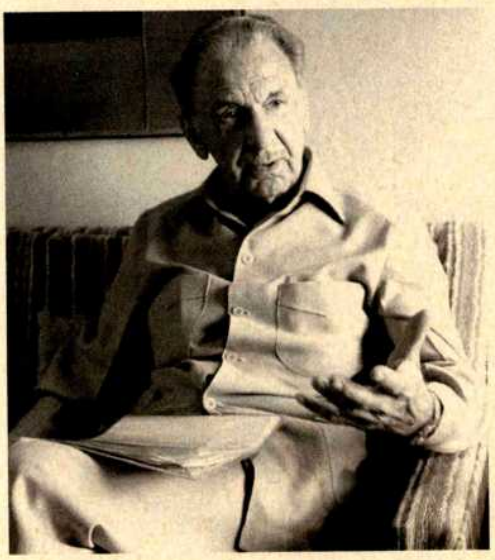
What India needs is not just people who 'do', but those who 'dream', who imagine new industries and open up new possibilities, like Sarabhai, Tata, Narayana Murthy and Kurien

performance. Likewise, forgetting and borrowing are always in tension. At these points of interaction, stress naturally arises because of the differences in business models, values, styles and priorities. Managing these tensions productively is job #1 for Indian CEOs.

Corporate change, while essential, is not enough to cultivate a nation of innovators. India must commit to substantive changes on a larger scale, particularly in the areas of education, capital markets, bureaucracy and infrastructure.



First, India's education system focuses too much on "left-brain" thinking: too much emphasis on imparting knowledge by rote. Rote memorisation develops brilliant engineers who are world-class in reverse engineering. However, what the country needs is not just people who "do", but those who "dream", who imagine new industries and open up new possibilities—people like Vikram Sarabhai, J.R.D. Tata, N.R. Narayana Murthy and Verghese Kurien. Without losing the emphasis on factual knowledge, we should promote "right-brain" thinking in our educational institutions through case studies and Socratic method, where students are encouraged to critically question the *status quo*, promote out-of-the-box thinking, engage in creative problem solving, and challenge the orthodox and conventional ways of doing things. Ultimately, Indians who are educated in both facts and critical thinking will be more willing to take risks and embrace new ideas and experimentation.

Secondly, we need to create a vibrant and well-functioning venture capital market, along the lines of Silicon Valley, which provides risk capital to entrepreneurs with breakthrough ideas. An efficient market for capital encourages more creative ideas to surface. Additionally, Indian bankruptcy laws need to be reinvented along the lines of the West. For instance, businesses that fail should have the opportunity to restructure and shed debts. After all, entrepreneurship implies pushing the envelope, taking risks and perhaps failing. Reforming bankruptcy laws might be one way to remove the stigma of failure. Unless people know they may have a second chance, they are unlikely to think big.

Third, we need to remove barriers that impede innovation, most especially red tape and bureaucracy. Even if someone has a breakthrough idea, it takes tremendous perseverance to work through India's government machinery. There is an urgent need to streamline the governmental processes. This will require the Indian government to accelerate the ideological revolution started in the 1990s and remove anticompetitive government regulations that protect large and inefficient state institutions.

Finally, we need a major push to dramatically upgrade transportation—roads, airports, ports, etc.—and communications infrastructure—bring fibre optics to every part of India. India's manufacturing sector has the potential to become world class through radical process innovations, but there is little incentive to do so if the bottlenecks with the logistics and transportation continue.

India is a country full of talented people with tremendous potential. That is truly India's core competency. With the right policies in place at the corporate and national level, we can turn them loose—and we can all benefit. ■

Vijay Govindarajan is a Professor at Dartmouth College's Tuck School of Business

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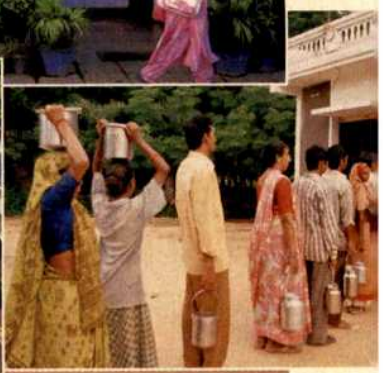

Mumbai's Dabbawalas

Mumbai's *dabbawala* service (a unique way of delivering lunch boxes) is 114 years old and serves 175,000 customers with an efficiency and precision that won "6 sigma" rating (accuracy being 99.99 per cent). A 5,000-strong *dabbawala* force (including a few women, too) uses handcarts, fast and slow local trains, and strong wooden racks to reach the *dabbas,* or lunch boxes, to their customers.

Operation Flood

It's the biggest success story in the country's cooperative movement and one of the biggest in the world. Launched in 1970, Operation Flood was a brainchild of Verghese Kurien. The foundation of Operation Flood are the village milk producers' cooperatives, which procure milk and provide inputs and services, and make modern management and technology available to members. It transformed India from a milk-deficit country to the largest milk producer in the world.

The TeNeT Group at IIT Madras

A brainchild of Ashok Jhunjhunwala, a Professor at IIT Madras, TeNet group's biggest contribution is the corDECT technology. corDECT is a WLL standard aimed at providing converged services—voice and data—at an affordable price to the masses, irrespective of the location. It simplifies last-mile connectivity and enables wireless remote access. It has also spun off—with faculty, student and alumni involvement—a series of firms that are engaged in a range of activities from IT product development to provision of technology-based services.

Gaining Critical Mass

Indian companies are the most active innovators among Rapidly Developing Economies.

India	1,018
Russia	1,000
China	980
South Africa	566
Brazil	525

Figures are US patent filings between 1999 and 2003
Source: Confederation of Indian Industry-Boston Consulting Group Report dated December 13, 2005

The Key To Innovation

The country can encourage the spirit of originality by:

- Doing away with rote learning;
- Encouraging venture capitalists;
- Revamping the bank credit system;
- Giving tax breaks to indigenous innovations; and
- Ushering in a strict patent regime.

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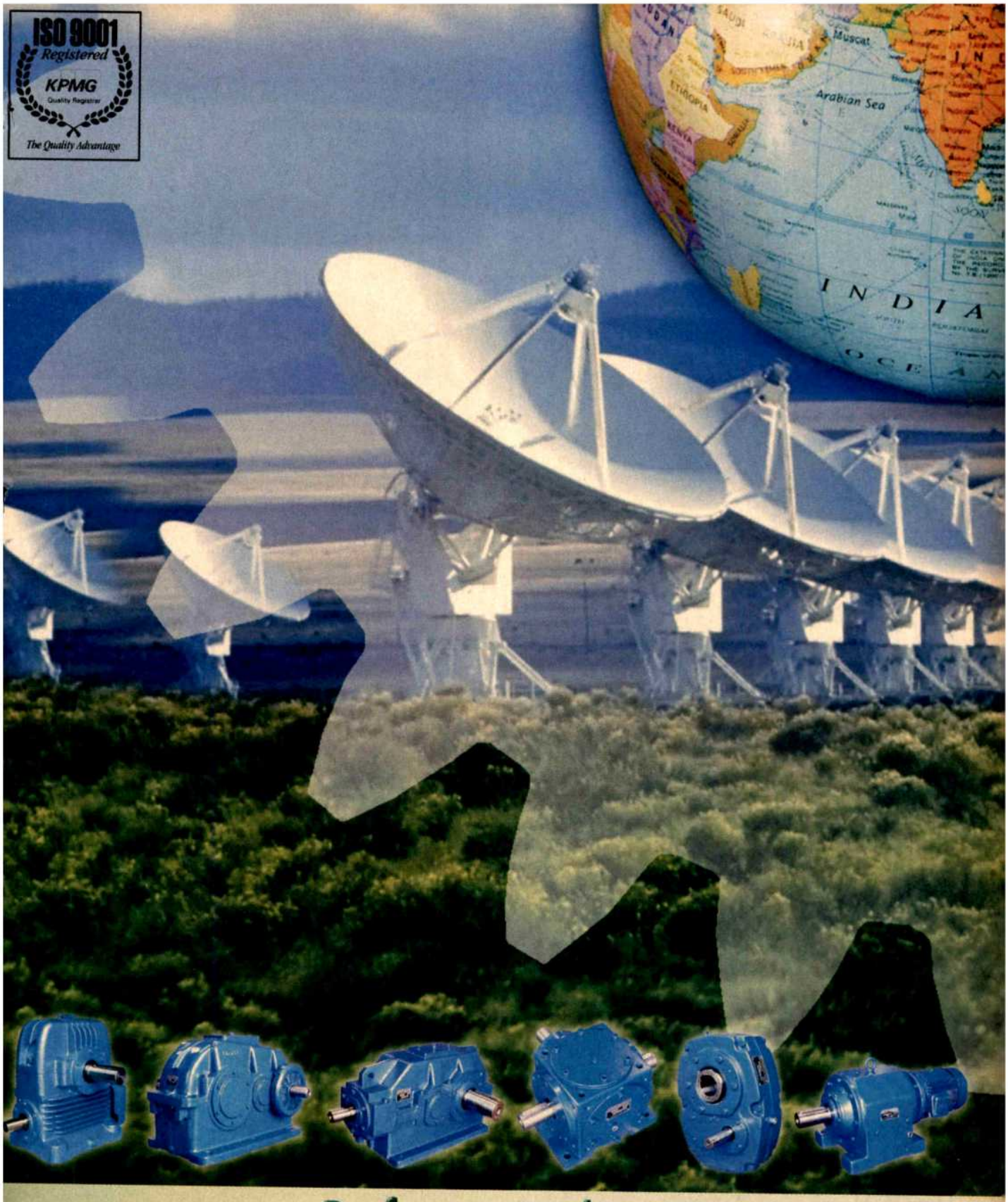

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WHAT WILL IT TAKE For A Resident Indian To Win A Nobel Prize?

R.A. MASHELKAR

IT WAS IN JUNE 1998 THAT I MET AMARTYA SEN FOR the first time at India International Centre in New Delhi. At the end of our brief conversation, I said: "I hope this will be the year for the big one." My reference was to the Nobel Prize. He laughed and said: "Do you know Dr Mashelkar, you have to be 10 times as good to win the Nobel Prize if you are an Indian!" In the same year, in October 1998, the Nobel Prize for Economics was declared. Amartya Sen won the prize. I remember sending him a one-line congratulatory message: "After all, you were 10 times as good!"

The will of Alfred Nobel dated November 27, 1895 states clearly that "in awarding the prizes, no consideration will be given to the nationality of the candidate". Therefore, more seriously, if the breakthroughs are truly Nobel Prize-worthy, then there is no reason as to why a scientist should not get it despite his nationality.

But what does history tell us? In more than 100 years, 776 Nobel prizes have been awarded till the year 2005. In science, only three of them have gone to the developing countries for the work done in their respective countries. One of them happens to be our own Sir C.V. Raman. This is not encouraging statistics.

Let us return to the issue of an Indian winning a Nobel Prize again. This year, the Nobel Prize in Physics has been shared by Roy Glauber, John Hall and Theodor Hansch. Glauber is the winner of half of the Noble Prize "for his contribution to quantum theory of optical coherence". This has raised a controversy, since it was felt by some that the contribution of E.C.G. Sudarshan, a scientist of Indian origin in the US, has been overlooked by the Nobel Committee. Sudarshan himself has written to the Nobel Committee saying "it would distress him and many others if extra-scientific considerations were responsible for this decision". Some Indian scientists have also formally protested to the Nobel Foundation.

In science, they say only two people will be remembered, he who says the *first* word in science and he who says the *last* word in science. Of course, saying merely the first or the last word is not enough. *What* one says must have a lasting and indelible impact in the field!

Did Sudarshan say the first word? The Nobel committee says: "Sudarshan drew the approach to the use of coherent state representations for the approach to classical physics, at this point, he refers to Glauber's work." Thus, the committee is subtly suggesting that Glauber had said the first word! These subtleties are beyond me, since I am not an expert. But the implied emphasis on saying the first word is clear.

As an Indian, I would have been truly proud if Sudarshan had won the Nobel Prize, as did so many other scientists in the past, who deserved it. What does our past history say? Jayant Narlikar has written a book *The Scientific Edge*, which has been published by Penguin in 2003. He lists the top 10 achievements of Indian science and technology in the 20th century. There are five before 1950 and five after 1950. Interestingly, the five before 1950 are all individual efforts, namely, the works by Ramanujam (mathematics), Meghnad Saha (ionisation equation), S.N.

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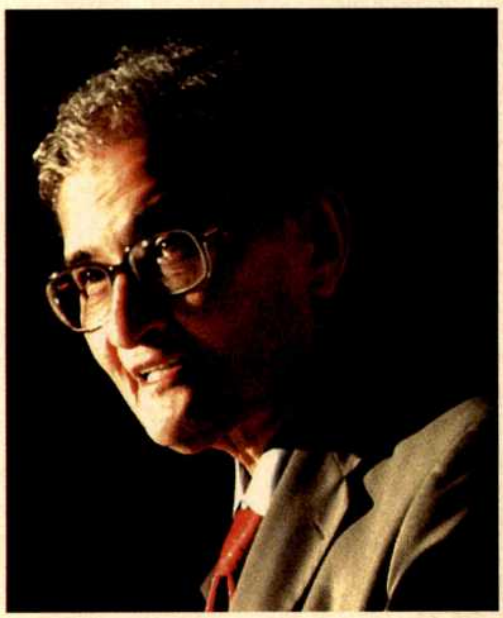
New Materials

If tomorrow, any Indian thinks of an idea that is out of the box to get a material, which shows superconductivity at 20°C, he cannot be denied the Nobel Prize

Bose (particle statistics), C.V. Raman (Raman Effect) and G.N. Ramachandran (molecular biophysics). After 1950, he lists the other five achievements as nuclear power, Green Revolution, space programme, superconductivity and CSIR's transformation. All these five are government-funded big team initiatives. The moot question is: what has happened to individual excellence after 1950?

However, if one looks at what happened before 1950, C.V. Raman did get the Nobel Prize but the others did not. S.N. Bose's work leading to Bose-Einstein condensate is winning Nobel prizes today. Many Indians feel that G.N. Ramachandran's work on triple helix should have won him the Nobel Prize, but it did not.



Let us look at the history of Nobel prizes. There are three Nobel prizes for Sciences, one each in chemistry, physics and medicine. In chemistry, of the total 152 prizes, 54 have gone to the US alone, followed by 27 to Germany and 25 to the UK. Similarly, in physics, of the total 182 prizes, 79 have gone to the US alone, followed by 23 to Germany and 21 to the UK. Similar is the story with Nobel prizes in medicine. Of the total of 186, 89 have gone to the US, followed by 24 to the UK and 15 to Germany.

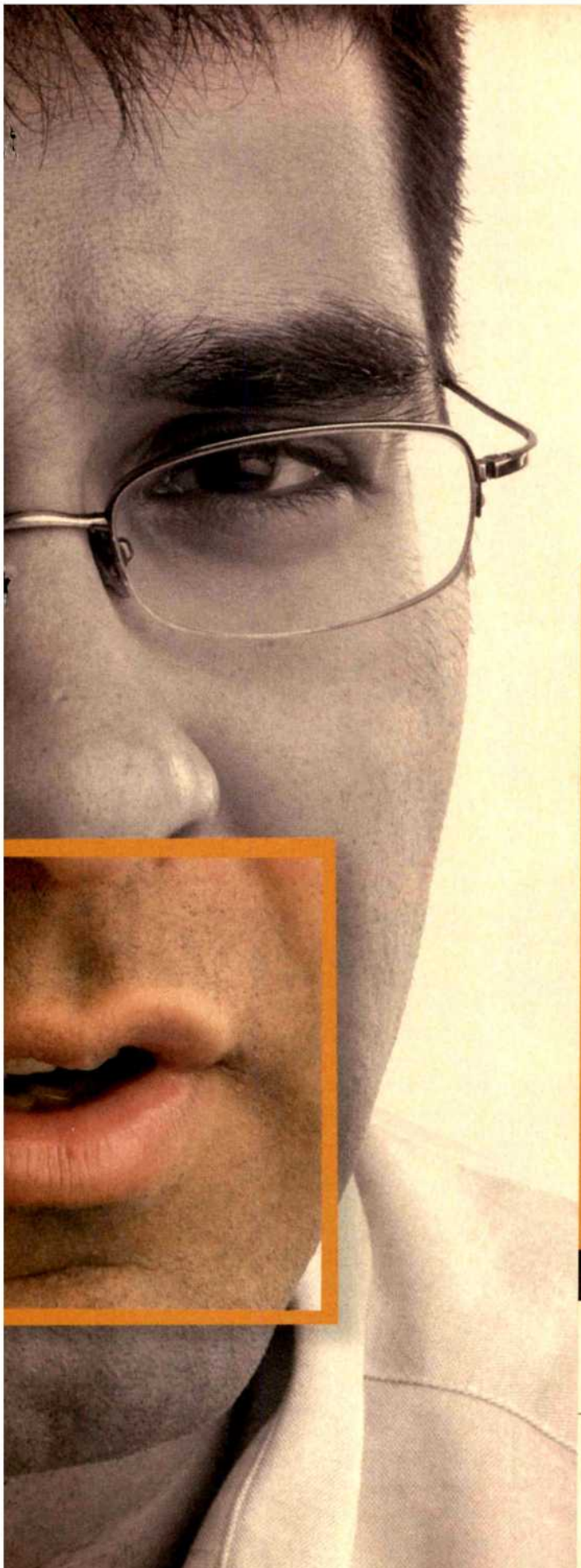
Why is the US the leader? Why is it that the other economic superpower, Japan, has not been as successful? Many people believe that this has to do with the culture of questioning that exists in the US, as against the culture of compliance that exists in Japan.

A potential Nobel laureate needs to be, first and foremost, a true innovator. What is the definition of a true innovator? *Innovator is one who does not know that it cannot be done.* Bednorz and Muller won the Nobel Prize because they tested materials, which, through accepted wisdom, were not supposed to show superconductivity!

An innovator is also one who sees what everyone sees but thinks of what no one else thinks. Look at this year's Nobel Prize winners for medicine, Robin Warren and Barry Marshall. Everyone had thought that the cause of gastritis inflammation and stomach ulceration is excessive acid secretion due to irregularities in diet and lifestyle. Warren & Marshall postulated that the causative agent was, in fact, a bacterium called Heliobacter pylori. They were ridiculed but they stuck to their guns. They could see and think beyond what others saw and thought.

Indians can always argue that we do not win Nobel prizes because our investment levels are low. The US spends $250 billion (Rs 11,25,000 crore) on R&D as against India's $5 billion (Rs 22,500 crore). Size of the funding is, of course, important. You build large critical mass in a given field, setting up a competition. You empower the scientists hugely with modern tools so that they can run faster and arrive at the results first. But to me, it is not the size of funding but the size of ideas that ultimately matters. If tomorrow, any Indian thinks of an out-of-the-box idea to get a material which shows superconductivity at 20°C, he cannot be denied the Nobel Prize, even if he is an Indian, so profound will be the impact of his discovery on our lives!

The question is how do we make people think out of the box? I tried to promote this when I was the Director of National Chemical Laboratory. We created a "kite flying fund", where an out of the box idea with a chance of success of one in one thousand will



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True pathbreakers in science will refuse to preserve the status quo because they enjoy the fun of creation of new ideas and destruction of old dogmas

be supported. When I moved to CSIR, I created a "New Idea Fund" with a similar objective. Eventually, I found that it was not lack of funds, but it was lack of ideas that was the bottleneck!

One corollary of the statistics that I have cited is that the traditional and conservative societies, which include China and Japan along with India, appear to be at a disadvantage for a fundamental reason—namely the culture. But can this culture be changed? I believe it can. But we do require a change at all levels right from school science education to the way we fund and the way we do research.

We have to remould the school science education to the mode of "learning by discovery" and "learning by doing" in contrast to the prevailing "learning by rote" method. Rather than memorising the products of science, the child needs to learn the beautiful process of science. Questioning and dissent in the classroom and at home must be respected and not punished.

Indian scientists and institutions are risk averse. We must take risks. We must be more tolerant of failures. A certain amount of irreverence is essential for creative pursuit in science. True pathbreakers in science will refuse to preserve the status quo because they enjoy the fun of creation of new ideas and destruction of old dogmas. We need to identify and support such scientists to the hilt.

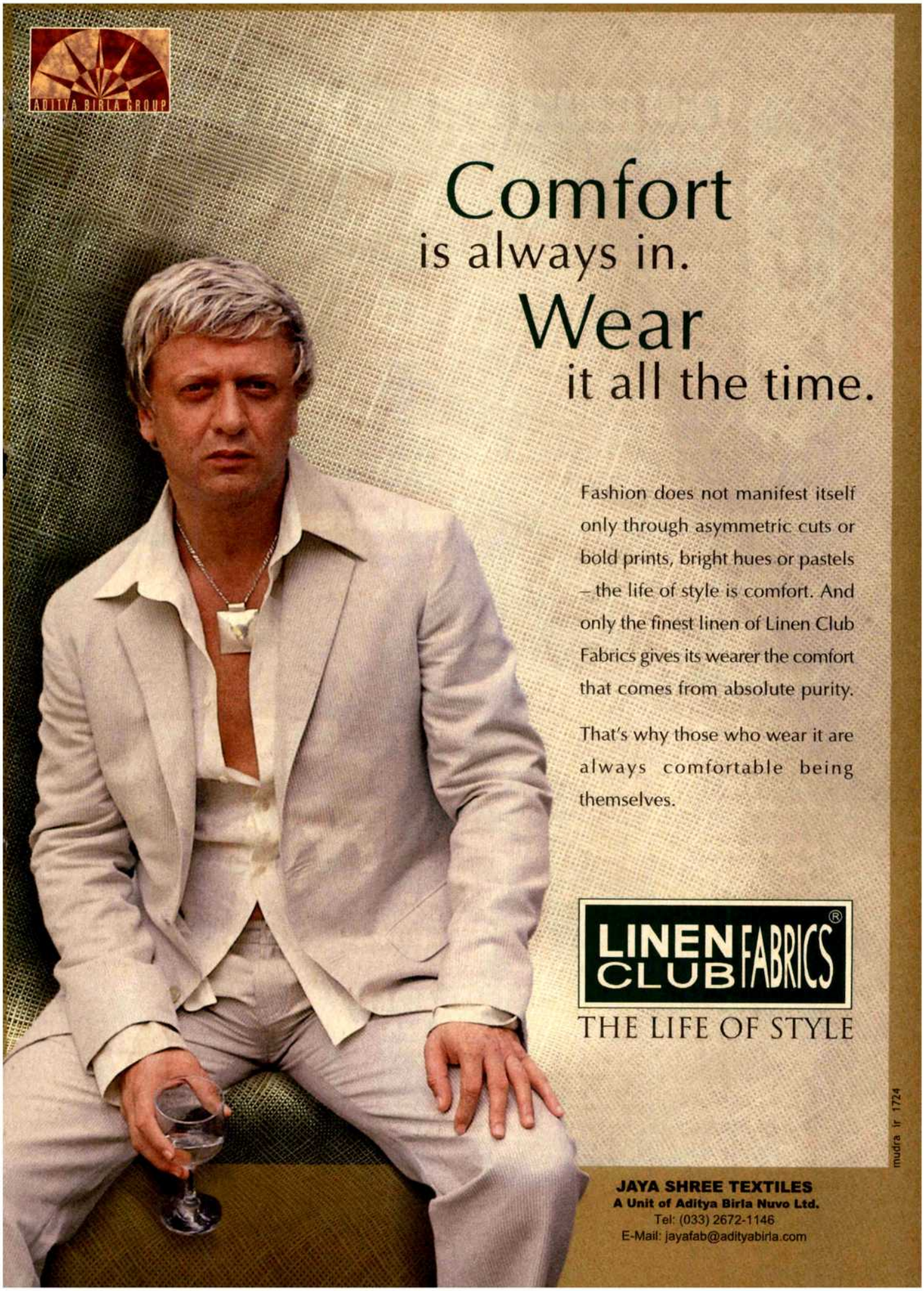
Eliticism in science needs to be promoted. A potential Einstein or a Ramanujam will have to be identified and nurtured from early on, just as the genius of Sachin Tendulkar was recognised at the age of 14! There is nothing like intellectual democracy. Our current research funding pattern, which is too conservative and democratic, needs to change. Out of the box thinking needs to be done not only by scientists but also by those who manage science!

Can we speculate about the potential Nobel laureates from among the current resident Indians? In a recent survey, the two names that came up prominently were C.N.R. Rao and Ashoke Sen. It augurs rather well that C.N.R. Rao won the Dan David Prize recently, which is supposed to be among prizes that get counted as being next to the Nobel Prize. But is there a way to predict as to whether resident Indians will be in a zone of contention?

The Institute for Scientific Information (ISI) has been publishing citation analysis of each Nobel Prize winner's work. All Nobel laureates tend to have exceptionally high level of productivity (articles per author), author impact (citations per author), and article impact (citations per paper). The citation data has frequently been used to forecast the future Nobel awardees. The results indicate that high rankings by citation frequency are strongly correlated with "Nobel Class" authors. In the highest percentile, e.g., the top 0.1 per cent of authors, a significant percentage have won the Nobel Prize or go on to win the prize in later years. Unfortunately, the Indian presence in this highest percentile is rather rare. Our presence here as well as our strong presence internationally through partnerships is going to be critical.

What does it take to win a Nobel Prize? One of the Nobel laureates himself said that first and foremost, you have to be very clever. Secondly, you have to work very, very hard. But thirdly, and most importantly, you have to be very, very, very lucky! He is absolutely right. But luck favours only the brave. In order for a resident Indian to win the Nobel Prize, Indian science must become brave. I hope the emerging brave new young India will also create some unusually brave scientists, who will go on to win Nobel prizes. ■

The author is President, Indian National Science Academy and Director General, Council of Scientific and Industrial Research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THESE INDIANS HAVE BEEN THERE, DONE THAT...

The list of Nobel laureates is embarrassingly short

Rabindranath Tagore Writer. Won the Nobel Prize for Literature in 1913 for *Gitanjali*, an anthology of poems.

Chandrasekhara Venkata Raman Physicist. Won the Nobel Prize for Physics in 1930 for work on radiation.

Hargovind Khurana Biologist. Won the Nobel Prize for Medicine in 1968 for interpreting the genetic code and analysing its function in protein synthesis.

Mother Teresa Christian missionary. Won the Nobel Peace Prize in 1979 for work among Kolkata's poor.

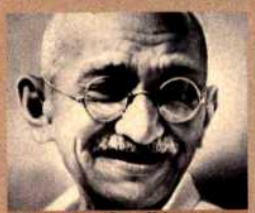
Subramanyan Chandrasekhar Physicist. Won the Nobel Prize for Physics in 1983 for work on theoretical studies of the physical processes of importance to the structure and evolution of stars.

Amartya Sen Economist. Won the Nobel Prize for Economics in 1998 for work on developmental economics.

V.S.Naipaul Writer. Won the Nobel Prize for Literature in 2001 for his entire body of work which "unites perceptive narrative and incorruptible scrutiny in works that compel us to see the presence of suppressed histories" says a statement from the Nobel committee.

Note: Hargovind Khurana, Subramanyan Chandrasekhar and V.S. Naipaul are of Indian origin but are not Indian citizens.

These Indians Missed Out



Mahatma Gandhi

G.N. Ramachandran

Mahatma Gandhi: Father of the Nation, apostle of peace and, in Albert Einstien's words, "the only true Christian since Christ".

Jagdish Chandra Bose: Physicist. Guglielmo Marconi beat him to the invention of the radio by a matter of a few days only.

Satyen Bose: Physicist. Immortalised in science for the Bose-Einstein Theory of matter and the Bose-Einstein condensate.

ECG Sudarshan: Physicist. His contribution to quantum theory of optical coherence was ignored.

G.N. Ramachandran: Physicist. His work on triple helix was considered Nobel-worthy.

But these may still make it

The following names crop up every year when Nobel prizes are discussed

C.N.R. Rao: Structural Scientist. Lauded for achievements in solid state chemistry and material sciences.

Ashoke Sen: Physicist. One of the high priests in the quest for sciences' Holy Grail—The String Theory.

Salman Rushdie: Writer. Burst on the literary scene in 1980 with *Midnight's Children*. Has penned several masterpieces since.

Salman Rushdie

Vikram Seth

Vikram Seth: Writer. Another Indo-Anglian literary giant who might still make it.

Jagdish Bhagwati: Economist. His work on trade and globalisation is considered path breaking.

What do the laureates win?

- The Nobel Diploma
- The Nobel Medal
- The Prize Amount (over $1 million)

How Are The Winners Selected

In each case, nominations are invited from scientists, heads of academies, researchers from various countries and in the case of the peace prize, nominations are invited and awarded by a committee of five, appointed by the Storting (the Norwegian Parliament). Easily over a 100 nominations are made in each category (more than the number of nominators since there are many duplications). The prizes for physics and chemistry are awarded by the Swedish Academy of Sciences; for physiology or medical works by the Karolinska Institute in Stockholm; for literature by the Academy in Stockholm; and for champions of peace by a committee of five persons elected by the Norwegian Storting. No consideration is given to the nationality of the candidates.

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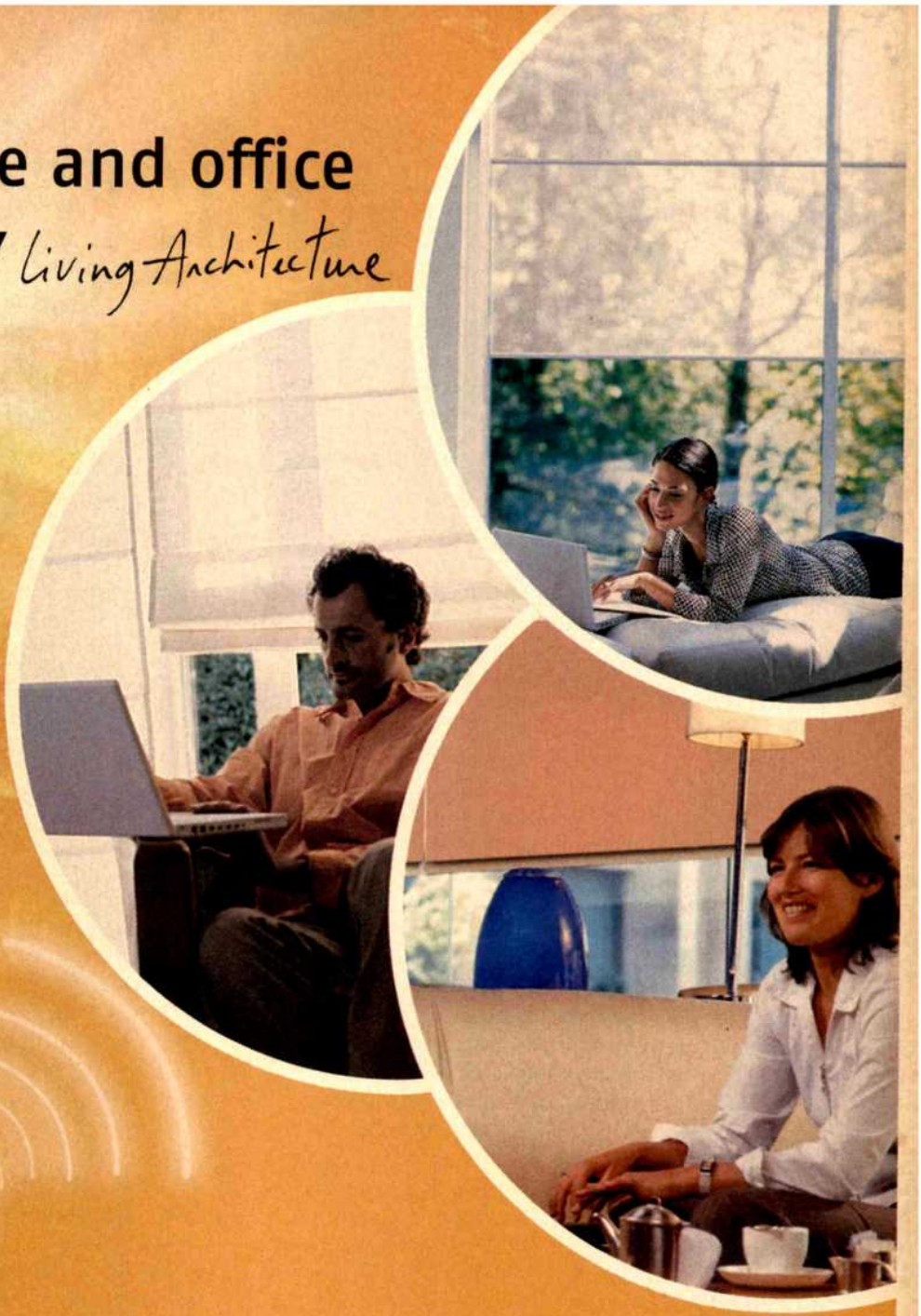

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WHAT WILL IT TAKE For India To Win An Olympic Gold?

COL. RAJYAVARDHAN 'CHILLY' RATHORE

IT IS A TOUGH QUESTION, A QUESTION THAT HAS NOT found a successful answer since we won the hockey gold in the Moscow Olympics (1980). Some even question the purity of that gold as it was a depleted field then in the wake of a boycott by America and some of its allies.

I am glad to have taken a step forward in winning the first individual silver medal for independent India in the Athens Olympics. It is only logical that people believe that I am better placed to find a solution and help my brethren pin that elusive Olympic gold.

However, the truth is that each one of us has the answer within us. What we lack is the collective will. Sport is not a priority for us. Forget sports, health is not a priority for us. Sporting excellence in the international arena, especially in the biggest sporting theatre of them all, the Olympics, is a reflection of a country's health. We compromise at every stage and excellence invariably eludes us on the biggest stage.

Every citizen who demands an Olympic gold should ask himself or herself whether he has played the role of a good spectator in the first place. When was the last time you actually went to watch sports? Life is far too hectic for us to spare some time for sports. By that, we miss the very essence of life. We don't realise that sports is not merely recreation, but a celebration of life.

How do we create heroes and icons unless we have the spectators? What is the motivation for sportspersons to excel, if the fields of intense competition look like training grounds without the vibrant atmosphere created by the presence of spectators? Money is not the best of motivators, though it guarantees a good life. For a sportsperson to sweat blood in training and give his best on the field, the appreciation of a nation is a suitable reward. Unless the public and the media recognise our talented sportspersons and goad them to excellence, it will be difficult for us to make the breakthrough.

I am a cricket fan myself, but I can clearly see that we as a nation are obsessed with this game. If we show the same passion towards the Olympic disciplines as we show towards watching cricket and the movies, there is absolutely no reason why we cannot win, not just one, but many Olympic gold medals.

We have the strength of the numbers. China has shown the world that having an overwhelming population is no impediment to growth and excellence, if you have the discipline and direction. So, we do have the talent, as quality comes out of quantity. Unfortunately, only a miniscule percentage of the population plays sports, and a much smaller percentage takes the next step towards achieving something on the international stage.

The government needs to support the cause. Our budget is not enough. And even the limited resources available are not well utilised. We should make it a point to back our best sportspersons to the hilt. If you spread resources evenly, you will only have average athletes. The higher you go, the tougher it gets. Identify your best and back them wholeheartedly. Half-hearted measures and half-baked attempts will not take us anywhere, surely not near an Olympic gold.

Unfortunately, there are too many internal

RAJ
INDIA
ATHENS 2004
GT

If we show the same passion towards the Olympic disciplines as we show towards cricket, there is absolutely no reason why we cannot win gold medals at these games

challenges in front of our sportspersons and by the time they tackle everything and get ready to face the world, they are physically and mentally drained. We need to help our sportspersons focus on their game. We need to give them the best training and an assurance that their careers would be taken care of irrespective of what they eventually achieve. This alone would inspire many to 'risk' their career in pursuit of sporting excellence.

The corporate world is also waking up to the challenge, but somehow the intensity is lacking. There can be a healthy race between the corporates as to who would first get the Olympic gold for India, after each one adopts a sportsperson or a game. The key is not to treat the game as an adopted baby but nurture it with pride and joy.

The media has a huge role to play. It can easily build icons and make games popular. In doing so, it can attract the necessary support for these games, as the people who invest money would get adequate mileage.

Even as the media itself is obsessed with one game, as journalism itself, I am sorry to say, looks to have become more a vehicle for good business than anything else, the sports federations are not helping matters by making it difficult for the media to provide a meaningful coverage of anything other than cricket. There has to be a free flow of information and each federation needs to have a strong media division to ensure the game gets the best possible projection.

The federations and associations should not fear stars growing too big and take the game beyond their control. It is a shame that some federations treat their stars like villains. How do you inspire the young generation with such a treatment of the very best?

Quite luckily, a few television channels are showing interest in 'marketing' other games. The federations and the sportspersons themselves need to cooperate in these ventures, and not discourage, or worse, drive away such enthusiasts.

It is observed that when television reaches the semi-urban areas, it will have a dramatic impact on Indian sports. But the point is, even in the cities how much sports is watched at present ? Just as we are enthusiastic about watching world class action (in a variety of sports) from around the globe in the comfort of our drawing room, we have to pay a lot of attention

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Achievements and achievers, across the board, deserve a fair share of mindspace. The media can make any game lively, never mind whether it is a spectator sport or not

towards our own sports. Of course, local sports telecasts need to be packaged better, both in terms of the quality of content and presentation.

The Indian media has to make a conscious attempt to project Indian sports in a big way. After all, Indian sports is looking up. There are positive signs all around. It does not necessarily mean that you hype a few personalities and ignore the rest. Achievements and achievers, across the board, deserve a fair share of mindspace. If the media decides, it can make any game lively, never mind whether it is a spectator sport or not!

Even as we try to provide more scientific support and better nutrition to our sportspersons, who at times struggle to overcome the physiological and genetic shortcomings as compared to the better-built Europeans, Americans and Australians, Indian athletes and sportspeople should realise that the game at the highest level, is played more in the mind. We need to have self-belief. We need to believe that we can win, even before we actually do so.

Such a positive trait needs to be inculcated at a young age. If the schools and colleges take to sports on a war footing, we will not only have a healthy nation, but a nation of champions. We need to give our children more opportunities to become sports stars and not burden them with the task of a mere accumulation of tons of knowledge.

Sports plays a big part in personality development. It will help a genius be healthy and strong, rather than wear spectacles and sport a studious look.

I have absolutely no doubt in my mind that if we show the same passion towards the Olympic disciplines as we show towards winning the cricket World Cup and handle games and their stars in a professional fashion, we can win not just one, but many Olympic gold medals.

Fortunately or unfortunately, the solution to the question lies with each one of us. Don't think too much on the issue. It is not that complicated. Just get out of home in the morning and jog for 20 minutes every day, no matter whether you are six or 60 years. By doing so, you would have played your part towards pinning that elusive Olympic gold. It is as simple as that.

Communities/ colonies must organise their children and themselves into a club, pitch in money and provide much needed sports equipment, clean up the small grounds that are available, put up floodlights if funds allow that, organise training, if necessary in batches, arrange matches on weekends and allow elders who have the knowledge and passion for the sport coach the youngsters. As parents you would be delighted to watch your kids play; be there to support them. You may be surprised, but your interest in what they love, will reflect on their interest in what you keep asking them to do....study. This can be your investment towards a healthier future of your children and a stronger nation that they would be proud to call as theirs.

History is replete with examples of nations that have perished, one thing common between them was the fact that their people were not fit

Well, we may never grow weak, both in body and mind, as sports is the secret of youth.

Go for gold! Arise, awake and stop not, till the goal is reached. ■

The author is the only Indian to win an Olympic silver medal in an individual event

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India At The Olympics (post-Independence)

	Gold*	Silver	Bronze
1948 LONDON (Great Britain)	1		
1952 HELSINKI (Finland)	1		1*
1956 MELBOURNE (Australia)	1		
1960 ROME (Italy)		1	
1964 TOKYO (Japan)	1		1■
1968 MEXICO CITY (Mexico)			1
1972 MUNICH (Germany)			1
1976 MONTREAL (Canada)			
1980 MOSCOW (Russia)	1		
1984 LOS ANGELES (US)			
1988 SEOUL (South Korea)			
1992 BARCELONA (Spain)			
1996 ATLANTA (US)			1●
2000 SYDNEY (Australia)			1*
2004 ATHENS (Greece)		1■	

* Wrestling ■ Shooting ● Tennis singles
❄ Weightlifting ◆ All gold medals are in hockey, not any individual event

India's Gold Medal Tally

COMMONWEALTH GAMES

* British Empire Games & Commonwealth Games

** British Commonwealth Games

1958	2	Cardiff (UK*)
1966	3	Kingston (Jamaica*)
1970	5	Edinburgh (Scotland**)
1974	4	Christchurch (New Zealand**)
1978	5	Edmonton (Canada)
1982	5	Brisbane (Australia)
1990	13	Auckland (New Zealand)
1994	6	Victoria (Canada)
1998	7	Kuala Lumpur (Malaysia)
2002	32	Manchester (UK)

ASIAN GAMES

1951	15	New Delhi (India)
1954	4	Manila (Philippines)
1958	5	Tokyo (Japan)
1962	10	Jakarta (Indonesia)
1966	7	Bangkok (Thailand)
1970	6	Bangkok (Thailand)
1978	11	Bangkok (Thailand)
1982	13	New Delhi (India)
1986	5	Seoul (South Korea)
1990	1	Beijing (China)
1994	4	Hiroshima (Japan)
1998	7	Bangkok (Thailand)
2002	10	Busan (South Korea)

Olympic Vs Indian Records

Men	Olympic	Indian
100-metre sprint	9.84	10.33
200-metre sprint	19.32	20.73
400-metre sprint	43.49	45.56
Long Jump (Women)	7.40m	6.83m

Figures in seconds

Indians Who've Finished Fourth At The Olympics

1960 ROME (Italy)	Milkha Singh	400 metre sprint
1984 LOS ANGELES (US)	P.T. Usha	400 metre sprint
1992 BARCELONA (Spain)	Leander Paes	Tennis

THE DELIVERY CHALLENGES

INSIDE

GIOVANNI BISIGNANI
On What will it take to make India one of the world's Top 5 tourist destinations?

Y.C. DEVESHWAR
On What will it take to empower poor farmers?

ANU AGA
On What will it take to increase the number of women in the workforce?

ASHOK ALEXANDER
On What will it take to beat the AIDS epidemic?

N.R. NARAYANA MURTHY
On What will it take to rid India of corruption?

WHAT WILL IT TAKE To Make India One Of The World's Top 5 Tourist Destinations?

GIOVANNI BISIGNANI

INDIA'S RECENT ECONOMIC PERFORMANCE AND vast potential for future growth makes it one of the great and growing markets for aviation. But economic performance and aviation are closely linked and a thriving air transport sector is vital to unleashing India's full potential.

Globally, the aviation industry generates $2.9 trillion (Rs 1,30,50,000 crore) in economic activity and supports 29 million jobs, according to a recent study commissioned by the Air Transport Action Group. Airlines connect people to business, tourists to destinations and products to markets on a global scale. It connects regions within nations, overcoming land transport deficiencies. It provides substantial social benefits by giving access to remote areas and as a fundamental mechanism for effective humanitarian relief, as witnessed following the tragedies of the Indian Ocean tsunami and the Kashmiri earthquake.

Right now, the Indian airline sector is vibrant. Indian carriers placed over $12 billion (Rs 54,000 crore) in new aircraft orders at this year's Paris Air Show. Air-India, Jet Airways and Indian (Airlines) all posted profits last year. The number of carriers operating in India has grown from two state-owned players in 1991 to 11 today. And another four carriers are set to start operations soon.

Traffic is buoyant. IATA (International Air Transport Association) member carriers' forecast for India projects international passenger traffic growth of 8.4 per cent annually between now and 2009. Adding in domestic traffic, that figure comes close to 12 per cent. Freight is no different. The Indian market for international freight is expected to grow by nearly 10 per cent annually over the next five years. Both measures rank India among the fastest growing markets for air transport.

Generally, air transport grows at twice the rate of GDP. With Indian GDP expected to expand at 7.2 per cent between 2005 and 2009, we expect growth in the 15 per cent range. However, the Indian market still faces a large degree of catch up. In 2004, India's airlines were ranked 20 by International Civil Aviation Organization in terms of total passenger and cargo tonne-kilometres, lower even than Luxembourg.

Another example is tourism. Some 40 per cent of international tourists travel by air. According to the World Travel & Tourism Council, international tourists account for a quarter of the annual $3 trillion (Rs 1,35,00,000 crore) global tourism spend. India has enormous tourism potential. And the markets of West Asia, South East Asia and East Asia are among the most buoyant. Yet, India's airports handle just over 14 million passengers. Compare that to Thailand or Singapore, both of which handle well over 20 million passengers. Clearly, there is much unexploited tourism potential.

How do we unlock India's massive potential? The airlines are moving fast. Government policy, especially on liberalisation, is moving in the right direction. The open bilateral with Sri Lanka has

Safety is the number one priority. And it is an underlying element for sustainable growth. India's record on safety is good, but constant attention and efforts are needed

shown the benefits of allowing market forces to work.

However, let me highlight three challenges that could put at risk the government's excellent aviation policy initiatives:

- Enhanced safety;
- Cost-efficient improvement of infrastructure; and
- Reasonable taxation

If these are handled correctly, the positive economic impact on India will be great.

Safety is the number one priority. And it is an underlying element for sustainable growth. India's record on safety is good, but constant attention and efforts are needed. As part of our commitment to safety, IATA and its members developed the IATA Operational Safety Audit (IOSA)—the first global standard for airline operational safety management. In just over two years, IOSA has become the industry standard. Globally, over 140 airlines will be in the IOSA process by the end of 2005. That represents 70 per cent of scheduled international traffic. Jet Airways and Air-India are among them. Importantly, all the IATA airlines are committed to the IOSA programme.

Regulators around the world have been quick to see the benefits of IOSA. US carriers, for example, can submit IOSA results to their regulator to demonstrate the operational safety level of their code-share partners. We are already working with the governments of Egypt, Chile and Jordan to help make IOSA a condition of the certification process. As the size of India's air transport sector expands, global standards will be critical. IOSA is a tool available to the government to help enhance India's safety oversight programme.

Indian airport and airspace capacity are far behind the expansion that airlines have made. The 2002-2004 moratorium on major capital expenditure at India's airports has taken its toll on already overused infrastructure. Mumbai airport is the most critical. At the best of times, capacity is capped at about 28 movements per hour. A recent runway overrun caused havoc at the airport for four days. We need to find some quick fixes to bring capacity at India's largest financial centre to over 40 movements per hour. It is encouraging to hear that efforts to upgrade the airport are being made and that a greenfield airport site is also being seriously considered.

Airspace is another area of concern. Already, congestion around airports is causing severe and chronic delays. These inconvenience travellers, drive up costs and do nothing to demonstrate efficiency to incoming visitors and investors. Again, there are some quick fix technology solutions that could be implemented. For example, if an arrival delay is anticipated even before an aircraft takes off, then why not hold the aircraft on the ground until a touchdown time can be guaranteed? It won't solve the delay problem, but with minimal cost, such a solution will help to mitigate some of the costs of delays.

These problems will become more acute once the new aircraft take to India's skies. As for the solution, quite frankly, the bottom line is cost efficiency. Airlines, airports and air traffic control are partners. Together, we are the gateway for tourism and investment. A cost-efficient welcome for travellers and businessmen will go a long way towards facilitating further sound economic growth.

To gain the full economic benefit of aviation, India needs a common sense approach to taxation. Any taxes or charges that are collected should be transparent and are reinvested in the sector. Measures such as the recently imposed 10.2 per cent service tax fee on landing and airport and air navigation fees reduce India's competitiveness and limit the wider economic benefits that air transport can provide. Policy makers need to understand the long-term impacts of such misguided policies.

Success does not happen by chance. India has done a great job of freeing the commercial forces to create what is one of the most vibrant markets for air services in the world. Now, it is time to take the next step. The challenge is to turn this great start and energy into a long-term policy that harnesses the vast economic impact of efficient air transport. If done well, the positive effects will be felt throughout India's economy for decades to come. ■

The author is Director General and CEO of IATA

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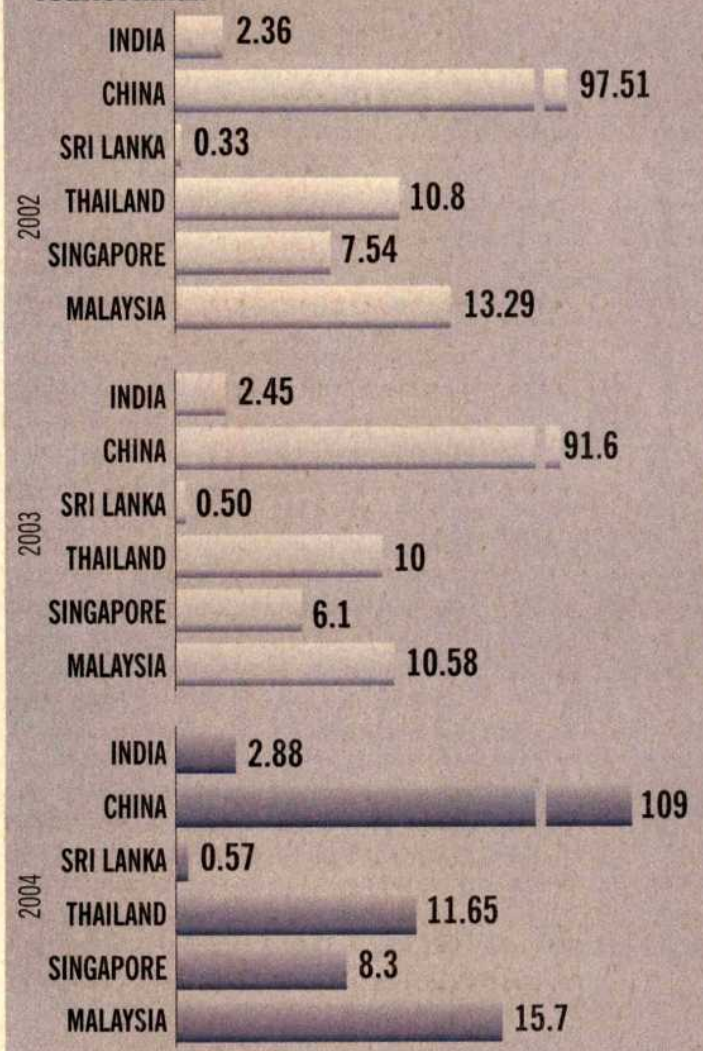
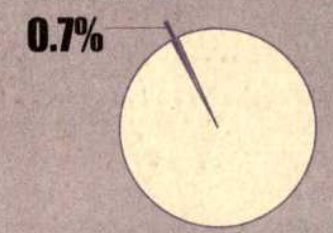
WAITING FOR THE INFLUX

Tourist Influx

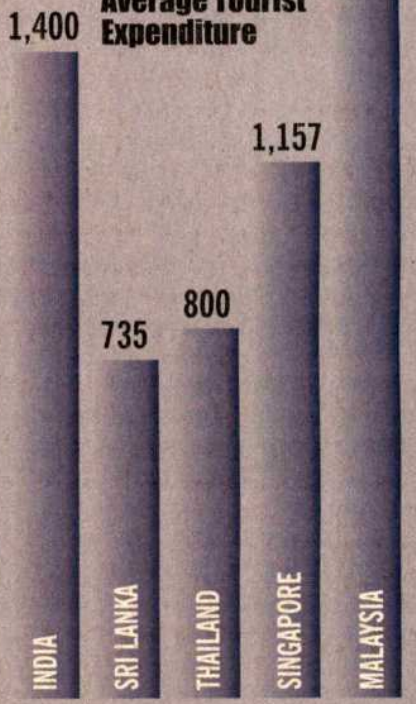


Figures in million

India's Share Of The Global Tourism Pie



Average Tourist Expenditure



Figures in $

Source: Websites of the respective countries' tourism boards

Why the Bill Gates and Richard Bransons of this world do not holiday in India?

Though India offers varied geographies and cultures and has places of great historical value, there are still fundamental issues like airport infrastructure and the absence of best-in-the-world hotel accommodation at most places, which puts the super rich off. But it remains one of the most affordable countries for a holiday.

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WHAT WILL IT TAKE To Empower Poor Farmers?

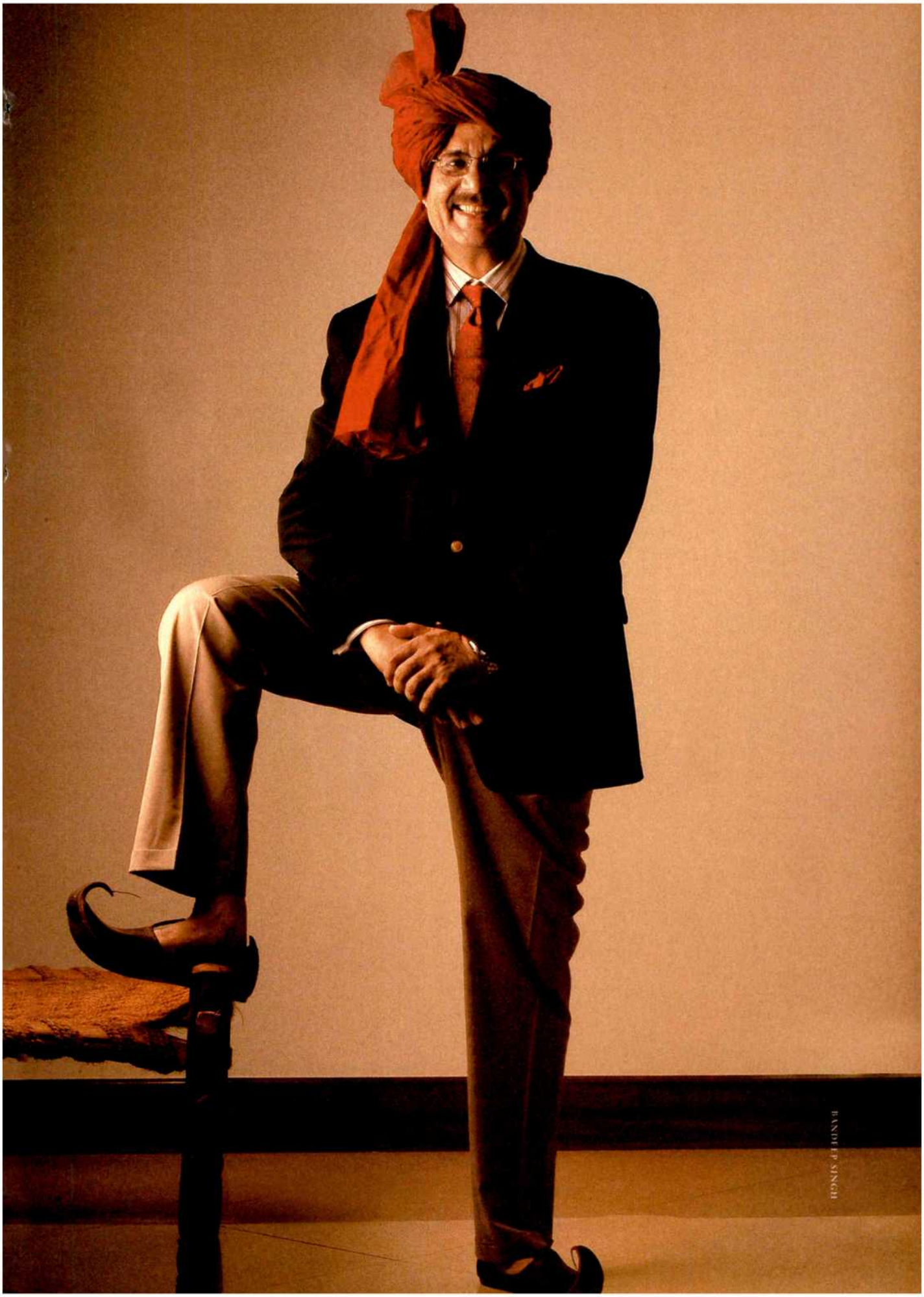
Y.C. DEVESHWAR

THE DICTIONARY MEANING OF EMPOWER is "to invest with power or authority; to equip with ability". In the context of the Indian farmer, empowerment means the ability to manage his destiny by effectively participating in and benefiting from the fruits of economic growth. Erratic agricultural performance, coupled with a secular decline in the growth rates of this sector, has led to the present situation where nearly 60 per cent of India's work force shares barely 22 per cent of her output.

The challenges of rural empowerment are manifest across three dimensions—economic, social and environmental. Agriculture continues to be the predominant source of livelihood in rural India—home to 72 per cent of our population and 75 per cent of the country's poor. Over 60 per cent of farmers earn their livelihoods on farms of one acre or less. Weak individual economic circumstances and the resultant low risk taking ability trap the farmer in the vicious cycle of low investment, low productivity, low income—leading back to low investment. Further, nearly 87 per cent of our 600,000 villages have a population of 2,000 and below, but collectively account for over 50 per cent of its total rural population. Apart from being geographically dispersed, our villages are economically too feeble to support large-scale investment. Total investment in the agricultural sector is less than two per cent of our GDP. Nearly 35 per cent of India's villages are yet to be connected by all-weather roads. Rural tele-density is just two per cent.

Economic impoverishment does not merely imply lack of access to material comforts. It spawns disease, unrest and a host of other social evils. It seriously undermines the ability to seize market opportunities. India is committed to achieving the Millennium Development Goals by 2015. Among others, this would mean measurable outcomes towards eradication of poverty, achievement of genderised development and vastly improved health indices relating to mortality and morbidity. The quality of human capital in rural areas is the major reason for India's low rank of 127 out of 175 countries in the Human Development Index. The size of the social challenge is even larger. Only 19 per cent of rural households have access to basic sanitation. Further, the Planning Commission estimates that 9-10 million jobs need to be created every year over the next decade. The vast majority of those entering the job market will, of course, emanate from rural India.

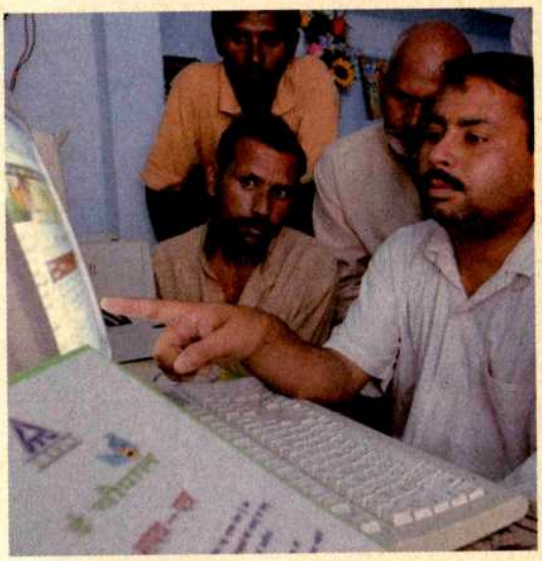
The farm sector also plays a crucial role in maintaining the fragile ecological balance. India accounts for 17 per cent of the world's population but only 2.4 per cent of the world's land mass, four per cent of available water resources, and one per cent of global forest resources. Per capita availability of water in India has been declining over the years and is projected at 1,341 cubic metres by 2025. Estimated water demand by that year would virtually cover the entire available water resources. Nearly one-third of India's districts are already classified as moisture deficit. And about 150,000 habitations are yet to be provided drinking water or the required augmentation of supplies. Agriculture accounts for over 80 per cent of total


BANDEEP SINGH

Those corporates that are engaged in adding value to agricultural produce need to orient their strategies towards securing the competitiveness of the entire value chain

water use—clearly an area of criticality for the nation's water management strategy. Similarly, regeneration of forest resources is a critical necessity, particularly since real forests represent only 12 per cent of India's geographical area against a desirable 33 per cent. It is not well known that nearly 90 per cent of forest resource consumption in India is on account of fuelwood requirements, predominantly of rural residents.

From my perspective, empowerment implies creating capacity at the grassroots because such capacity can progressively address the challenges across all three dimensions. This is not an automatic outcome of economic growth. The poor farmer can be empowered only if a number of converging measures are taken in careful coordination—a combination of purpose and policy, direction and delivery, commitment and connectivity.



I believe that the Indian corporate sector has a crucial role to play in the empowerment of farmers, in its own enlightened self-interest. Consumer research reveals that a rural wage earner's propensity to consume is only half that of an urban wage earner, for the same level of income. This is due to the large uncertainties arising from over-dependence on monsoons, yield and price risks, and the absence of effective mechanisms to manage these risks. Access to effective risk management tools can enhance rural propensity to consume even at current income levels and constitute a larger demand base for industrial goods and services. This demand base can grow manifold if rural income levels can be raised through increased agri productivity, and effective connectivity to markets. To me, this represents the real fortune at the bottom of the pyramid.

The seemingly intractable issues of Indian agriculture have resulted in low levels of engagement of the organised sector with farm communities. In such a scenario, it takes a special kind of company to commit to agricultural value chains. The competitive pressures of globalising markets often force companies to look at tactical outcomes at the expense of strategic initiatives. Those corporates that are engaged in adding value to agricultural produce need to orient their strategies towards securing the competitiveness of the entire value chain. And go that extra mile in committing resources and creating viable business models that, in the long run, will provide sustainable competitive capability. Such an approach is also necessary to create employment opportunities of a significant order towards addressing the country's demographic challenge.

However, inspired corporate leadership alone will not suffice to secure rural transformation. Reforms are necessary to create a climate where investment rooted in Indian soil can become productive.

Creation of capacity among the marginal farmer will crucially depend upon investment to establish rural "last mile" connectivity—physical, digital and human. Adequacy of quality infrastructure represents the necessary condition for empowerment and sustainable economic activity. In this context, the Bharat Nirman initiative, with its focus on time-bound outcomes rather than outlays alone, is a welcome initiative that could not have come a moment sooner.

Other reform priorities at central and state levels include: creating efficient linkages to domestic and world markets; strengthening of market and risk management institutions; overhaul of food safety

Thus, in the new empowered India, village communities will transform into vibrant economic organisations. They will represent a huge and attractive market opportunity

and land use laws; domestic tax harmonisation and moderation to benefit from a larger Indian common market; and promotion of agricultural research focussed on empowering the small farmer through effective extension services.

Simultaneously, propagation of sustainable agriculture and development of village community organisations to manage common resources would reduce the stress on soil, water and other finite natural resources. Further, conducive land use policies can harness the employment intensity of the agro forestry value chain, while concurrently addressing serious issues relating to biomass depletion, water security, ecological balance and biodiversity. Countries like Brazil and Indonesia have demonstrated the utility of linking land use with replenishment, thus, creating viable, renewable resource based industry while spawning millions of jobs in their rural hinterlands.

A critical legislative reform priority is the amendment of the Agricultural Produce Marketing Committee Acts in line with the Model Act to provide choice of market channels to farmers.

Apart from reform initiatives, a partnered approach is vital to engender competitiveness in Indian agriculture, including the small farmer. The ongoing globalisation of trade being negotiated at the World Trade Organization (WTO) and at regional and bilateral fora can translate into opportunities only if the economy and its constituents can make a successful transition towards global competitiveness. In this context, the competitiveness and growth of those value chains that are engaged in value addition to renewable agricultural inputs represent the best means of addressing the developmental issues that confront us today.

A number of such value chains carry the promise of contributing to the over-arching goal of inclusive growth. I would venture to add that *roti*, *kapda*, *makaan*, education and health—the basic ingredients of development—have origins in the agricultural sector and the soil. Let me give illustrations of some value chains that carry significant potential for rural upliftment whilst presenting attractive business prospects for the corporate sector.

- The *roti* value chain of seed to stomach, representing the food processing industry;
- The *kapda* value chain of fibre to fashion, representing the textile and apparel industry;
- The *makaan* value chain of dust to dwelling;
- The education value chain of tree to textbook; and
- The value chain of herbs to healthcare.

Such value chains can become impactful contributors in view of their potential to generate large-scale employment, which can also absorb the surplus labour inherent in agricultural productivity improvement.

An integrated approach to agriculture and manufacturing, together with urgent implementation of the reform agenda can unleash entrepreneurial energies and create a powerful tool of empowerment and development. Thus, in the new empowered India, village communities will transform into vibrant economic organisations. They will represent a huge and attractive market opportunity, inducing a virtuous cycle of development.

The agenda is vast. The stakeholders are numerous. The luxury of time is no longer available. This is the time for careful orchestration to enable the various organs of society play their roles in realising the significant potential that can emanate from empowering our marginal farmers. Only then can India's economic growth translate into sustainable development. ■

The author is Chairman of ITC Limited

(This article was written during the WTO summit in Hong Kong from December 13–18, 2005)

FOOD BASKET

Some Numbers Of Note

What is the per capita income of India's farming community?

The per capita income of cultivators and agricultural labourers is

Rs 11,764

What percentage of farmers own the land that they till?

82 per cent

Total Farm Credit

Rs 1,33,947 crore

This is 14.97 per cent of net bank credit against the target of 18 per cent

Delinquency Rate

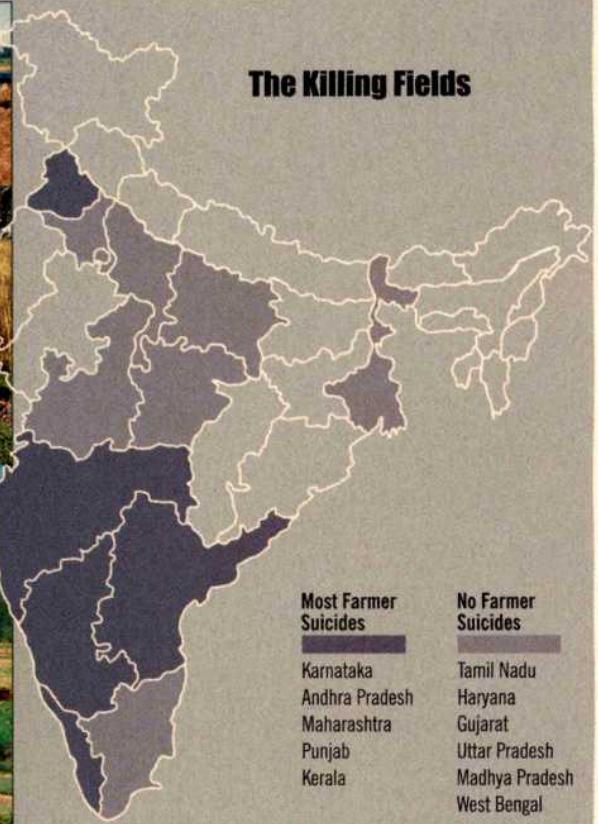
11 per cent

Minimum Support Price

Wheat:	Rs 640	
Paddy:	Common Grade Rs 570	A Grade Rs 600
Cotton:	F-414/H-777/J-34 Rs 1,760	H-4 Rs 1,980
Tobacco:	Black Soil Variety Rs 32	Light Soil Variety Rs 34

Sources: World Agriculture Census, State of Indian Farmers, Studies by the Centre for Economic and Social Studies (CESS), Hyderabad and RBI reports.

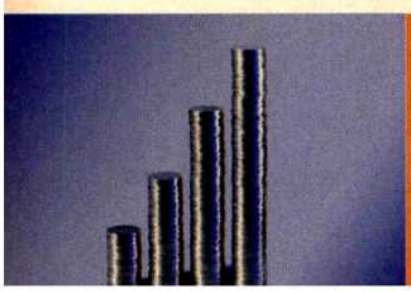
The Killing Fields



Most Farmer Suicides	No Farmer Suicides
Karnataka	Tamil Nadu
Andhra Pradesh	Haryana
Maharashtra	Gujarat
Punjab	Uttar Pradesh
Kerala	Madhya Pradesh
	West Bengal

It's Cash That Counts

Figures are income in Rs per acre



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WHAT WILL IT TAKE To Increase The Number Of Women In Our Workforce?

ANU AGA

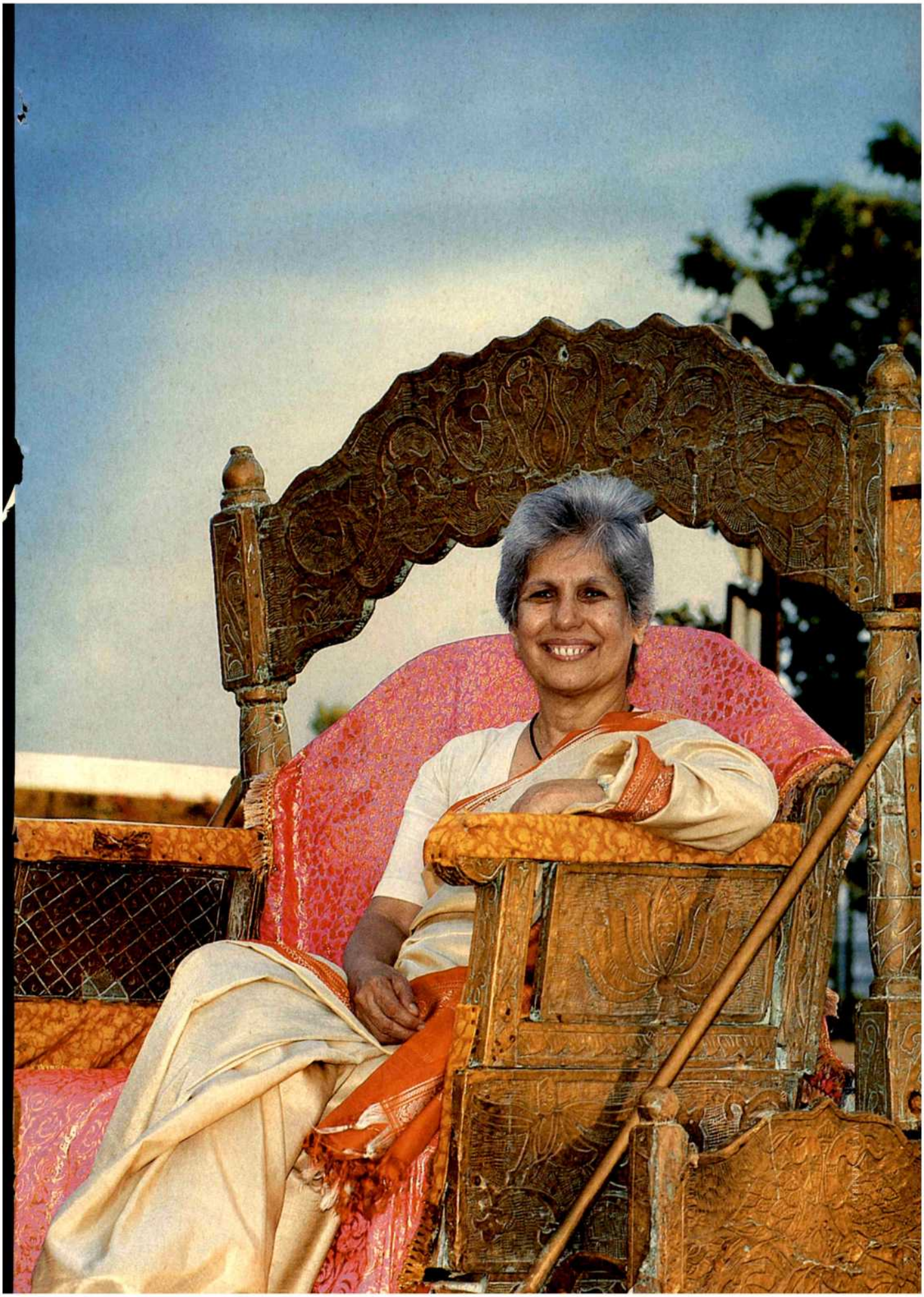
IT IS OFTEN ARGUED THAT IF WE WANT TO attain global standards on a sustainable basis, we need to invest in our people and, especially, improve the lives of our women. Yes, we need contributions from our women to attain excellence in all areas of activity. But more than this reason, I feel we cannot be considered a civilised nation if we deny and deprive almost half our people of opportunities and discriminate against them. Many of us agitate to ban cow and buffalo slaughter, but remain insensitive to the increasing rate of female foeticide in some of the states. When we continue to deny their right to be born, how can we talk about women power at the workplace?

Our social and cultural attitudes neglect and marginalise women. In public, we accept and respect women and brag about having a woman as our Prime Minister or a few women as Chief Ministers and judges. But privately, the large majority of women are subjugated and dominated. They are denied access to education and are expected to remain in their homes and kitchens. They need permission from their men to occasionally visit their parents and relatives. Without mobility and access to education, how can we expect large numbers of women at the workplace?

Let me substantiate with a few facts. Though 48 per cent of Indians are women, they are disadvantaged in every way—in terms of literacy, labour participation and earnings. As 40 per cent of them are illiterate, India probably has the world's largest group of unlettered women. Maternal mortality is the second highest in the world and large numbers of Indian women have little access to health and sanitation. Daily, thousands of women in many parts of India walk many miles to fetch water and firewood. They also have to attend to all the household chores—because that is not supposed to be man's work—and they end up with no time and energy for productive work or enterprise.

It is estimated that 124 million women work in India (National Sample Survey Organisation, 2000). This represents about 31 per cent of the total workforce. The Government's Economic Survey for 2003-04 has estimated that there are 4.95 million women in the organised sector (both public and private sectors)—about 18.1 per cent of the total organised workforce.

Last year, the Confederation of Indian Industry (CII), through its Women Empowerment Committee, conducted a survey of white-collar staff in 149 member companies across different sectors and regions. I would like to believe that business forums like CII attract companies with a more liberal mindset. Yet, the findings were discouraging. The percentage of women employees in medium companies was 18 per cent, large companies 4 per cent (including heavy



We need to tap into the tremendous entrepreneurial spirit of our people. The natural enterprise of Indian women can be nurtured through schemes of micro-finance

industries, where women intake is very low); on an average, these companies had 6 per cent women on their rolls. At the managerial level, the percentage of women at junior level was 16 per cent, middle level 4 per cent, senior level 4 per cent and at senior-most levels, just 1 per cent.

Today, to survive competition in a globalised market, many organisations are outsourcing and contracting out their work. This certainly has created opportunities for home-based work, especially for women in sectors like textile, garments and electronics. But unfortunately, it has also forced women into 'informal' work that offers little security or long-term benefits.

In India, women and children in the unorganised sector have been exploited and there is no job security or retirement benefits. A large number of women and children work in the tobacco (*bidi* rolling), *agarbatti*, bangle making, brassware, weaving and leather industries. The working conditions are very poor and without adequate legal protection; and women are more vulnerable than men. So far, the government has been pampering organised labour and, by and large, neglecting the unorganised sector. It is time it came up with a dynamic framework of regulations so that the vast majority of our women workers get justice and social security.

It is not possible to employ everyone in industries or the organised sector. We need to tap into the tremendous entrepreneurial spirit of our people. The natural enterprise of Indian women can be nurtured through innovative schemes of micro-finance. From Bangladesh to Kenya and Jordan, there is evidence to show that when it comes to repaying loans, women, with 98 per cent repayment rate, are more responsible than men. The government, financial institutions and private sector can join hands to create women entrepreneurs. We need to identify viable projects and provide mentoring help to ensure success.

Who is responsible for creating the climate and encouraging more women to join the workforce? I believe everybody needs to contribute, but I think the state has to take the lead. Pruning its waste and withdrawing from non-value added activities, it should, as Nobel laureate Amartya Sen and others have pointed out, increase its investments in the social sector. It must also play monitor and see that the poor and marginalised people receive the funds and other benefits of the support systems meant for them. Right now, the combined expenditure on education by the central and state government is only 3.1 per cent. This needs to be raised to at least 6 per cent of the GDP.

About 50 per cent of our school-going girls drop out at middle school for various reasons—toilet facilities not being available in schools or to help their parents at work or to take care of their siblings. This means a mere increase in government's spending on education will not achieve the desired results. Investments have to be backed by schemes for employment and income generation for parents.

The Economic Survey has noted that in states with higher female literacy, there are more women working in the organised sector. States that have shown dramatic improvements in literacy levels—especially for girls—need to be recognised and their success documented. Backward states have to be

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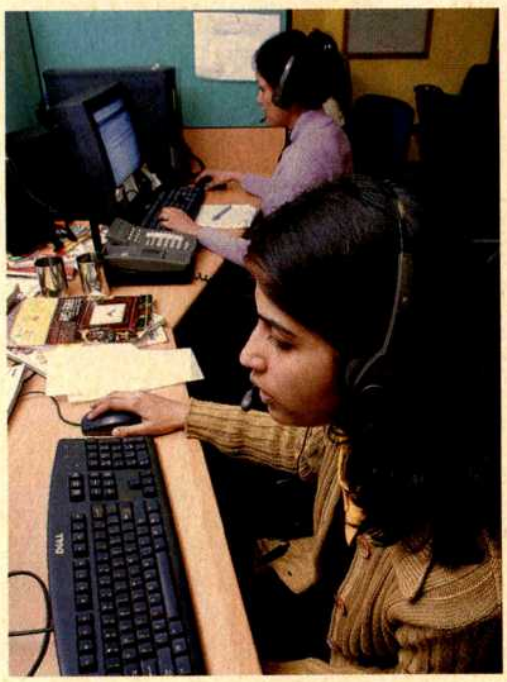
Many organisations do not have any sexual harassment policy in place and distressed women have no place to turn to. There cannot be any compromise on this issue

given time frames by which they have to show progress.

The corporate sector has to think and act innovatively to help women balance their work and home roles. Crèche facilities need to be provided either at the workplace or at residential areas where women live. They can think of granting maternity leave beyond the legal requirement, with or without pay. Companies need to explore if women can work part-time or flexi-time to balance work and their families. Women who leave work to bear children find it very difficult to rejoin. Courses that equip women to make a comeback, psychologically and skill-wise, will also be of great help.

In spite of the mandatory requirement, many organisations do not have any sexual harassment policy in place and distressed women have no place to turn to. There cannot be any compromise on this issue. Policies should be clearly stated and implemented rigorously.



Corporates which genuinely want to increase the number of women in their organisations need to introspect as to what comes in the way—is it lack of qualified candidates or is there a bias against women? They must also ponder over how they can overcome this prejudice? At times of downsizings and mergers, corporate policies need to protect women from unfair treatment by a male-biased work environment.

Even if systemic limitations are overcome and women are given opportunities for education and a chance to join the workforce, they will still face tough resistance from their own mindsets and self-images. It is critical that women help themselves to come out of their self-limiting belief systems.

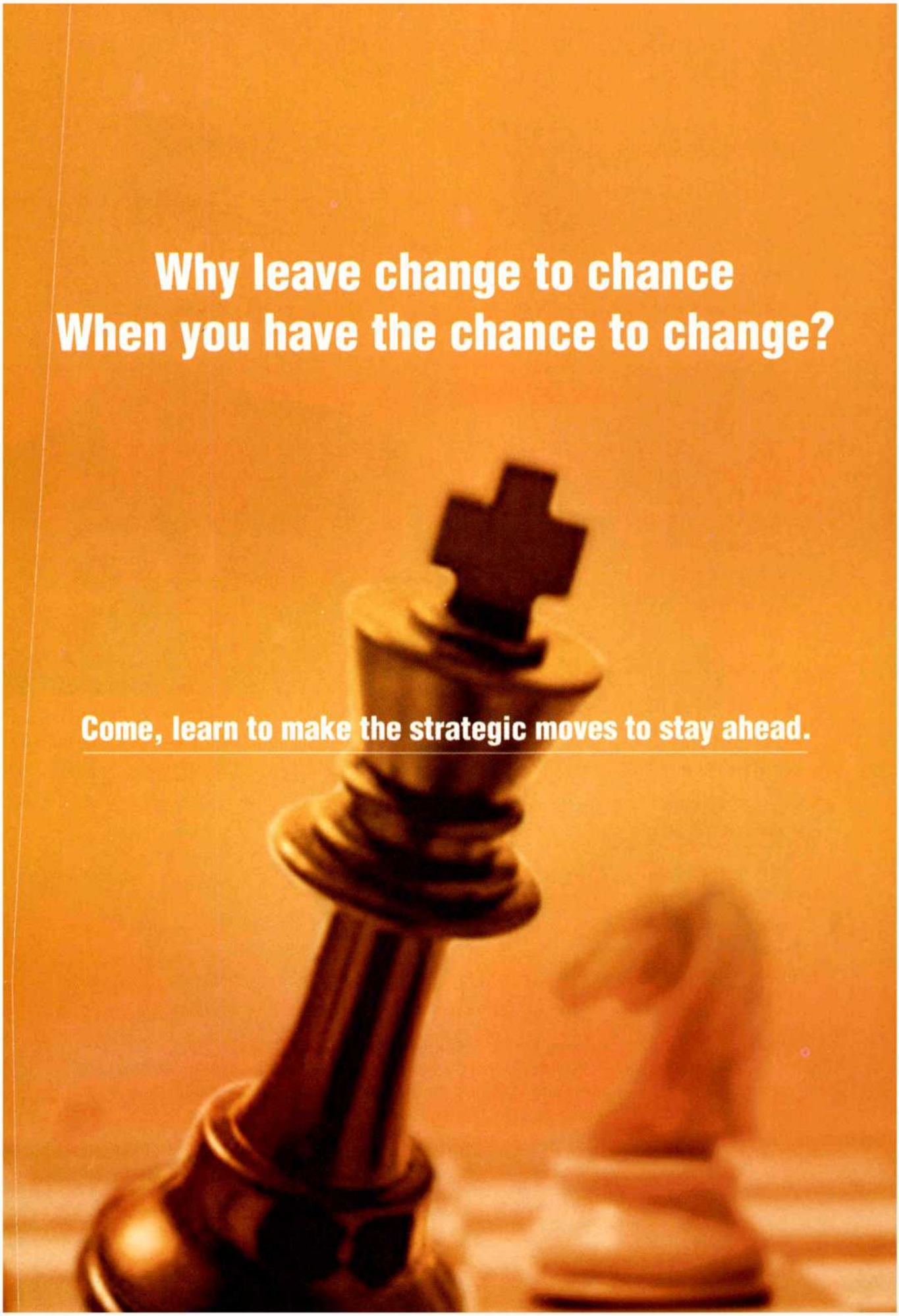
As mothers, they need to be careful not to give different sets of messages to their sons and daughters. Most boys are encouraged to develop "achievement skills" that equip them for work, whereas girls are helped to develop their affiliative needs which help them to be dutiful daughter-in-laws, obedient wives and sacrificing mothers. From early years, boys need to be made aware that household and child-rearing responsibilities need to be equally shared between a husband and wife and is not the sole responsibility of a woman. Mindset change is a slow process but enduring in the long run. Schools, colleges and media need to reflect on the above messages and stop treating a male child as special.

In the short run, should we have quotas that will force industry to employ more women? I am against quotas and, instead, want accelerated awareness campaigns that bring about a change of mindset.

Even family-owned businesses need to give an equal chance to their daughters to enter the family business. If everyone makes a genuine effort, a day will come when we will not just have "Mukherjee & Sons" and "Pestonjee & Sons" but also "Mukherjee & Daughters" and "Pestonjee & Daughters".

Our task is truly Herculean. The government must lead the way and corporates, NGOs and educational institutions should join in to support and work for change. Real change will come when our women are treated on par with men and given equal opportunities. When that happens, India will be able to harness its women power and emerge as a respected nation. ■

The author is Chairman Emeritus of Thermax Ltd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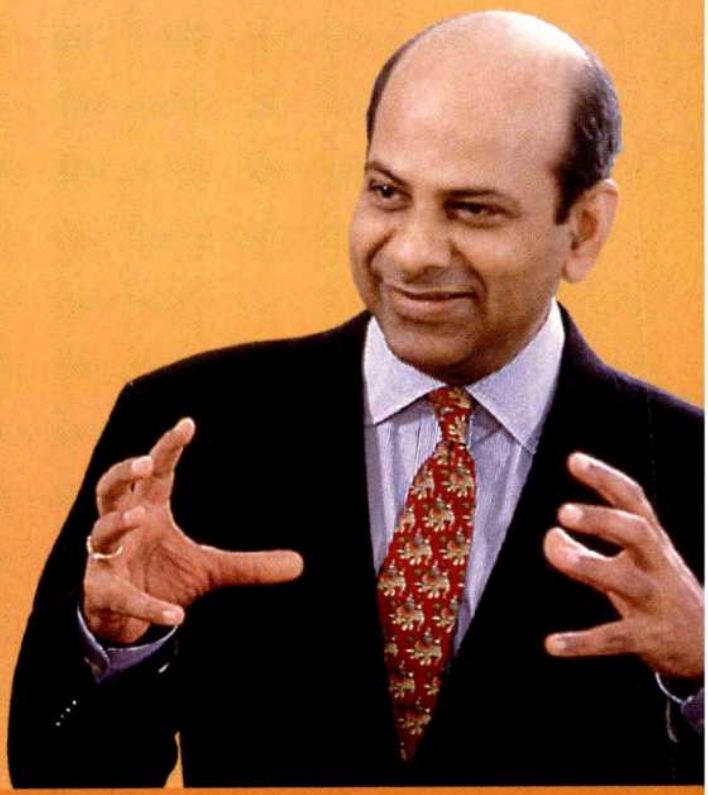

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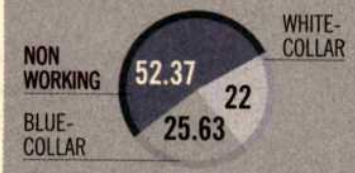
WOMEN DON'T QUITE RULE INDIA

The Better Half



Figures in per cent
Source: Institute of Applied Manpower Research

It's Just Fair

Women enjoy the following five rights that men don't.

1. I-T exemption of Rs 35,000
2. Flexi-timing
3. Tele-commuting
4. Extended maternity leave
5. Day-care centres

More Than Lip Service

These companies employ the highest percentage of women in India.

Source: Mercer and *BT* Research

A Blow For Gender Equality

These companies have affirmative action programmes for women:

ACCENTURE

More Women@Accenture: A metrics-based recruitment process for hiring women, a referral programme for women and special recruitment drives at women-only colleges.

MOTOROLA

Women's Business Council: This is a women's networking forum that focusses on empowering women employees through expanded opportunities to gain skills and experiences required to be successful and to enable work-life integration.

HSBC

Makes a conscious attempt to build a strong female executive pipeline by effectively using the graduate campus trainee programme and building databases of successful female candidates in the industry at all levels.

Sapient

A role model programme for women highlights the achievement of senior women managers and showcases the absence of a glass ceiling.

GE

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WHAT WILL IT TAKE To Beat The AIDS Epidemic?

A Business Perspective

ASHOK ALEXANDER

TWO YEARS AGO, I LEFT MCKINSEY & Company to head Avahan—the India AIDS initiative of the Bill & Melinda Gates Foundation—and stepped into another world. From serving India's business chieftains, my clients were now sex workers—female, male and transgender—and drug users. From an India challenging the world, I encountered an India of desperate poverty, and cruelly marginalised populations. I saw places as disparate as Bishnupur in Manipur to Kolar in Karanataka, and the devastation the AIDS virus was already wreaking.

Writing then in *BT*'s anniversary issue, I described AIDS in India as the "elephant in our midst"—because what struck me was how enormous the problem was, but how few people even recognised it. It's probably fair to say Indian business also does not sense the elephant. While many companies pay lip service to the importance of tackling AIDS, the fact is that few do much about it. It's a tragedy, because business skills and assets can be the most potent weapon in the war against AIDS. This article describes why, and proposes a framework for Indian business to make a huge difference.

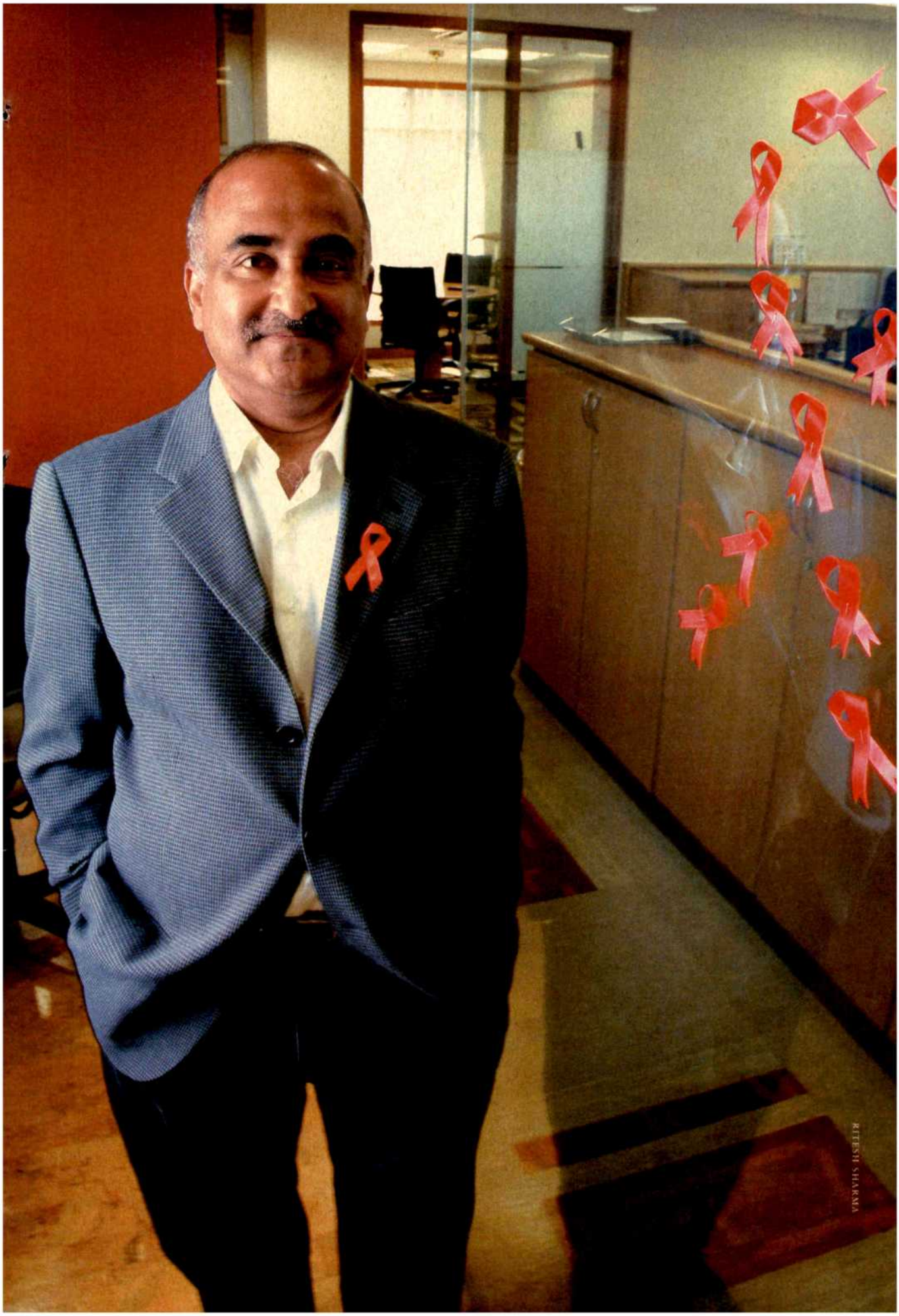
With a national prevalence of 0.9 per cent, India seems at an early stage of an HIV/AIDS epidemic. However, this statistic belies the multiple sub-national epidemics where it has already spread rapidly. Moreover, the complexity of India's epidemic is fuelled by three main factors that pose a unique challenge to prevention.

Diverse contexts: With India's population of more than one billion, and large high-risk groups such as commercial sex workers, men who have sex with men, intravenous drug users, and migrant labour found in many local contexts, it is impossible to define India's AIDS epidemic as a single epidemic. In the six high prevalence states of Tamil Nadu, Maharashtra, Karnataka, Andhra Pradesh, Manipur and Nagaland, with prevalence rates around 2 per cent, the combination of forces shaping the epidemic vary not only across regions, but even between districts within a state.

Dispersion: Driven by economic vulnerability and responsive to transitory economic opportunities, high-risk groups like commercial sex workers and their clients are both hidden and highly mobile, making focussed prevention a moving target. In addition, surveillance data points to a changing face of the epidemic as the epidemic increasingly shifts from urban to rural areas.

Disabling environment: The stigma of HIV/AIDS in India, at every level of society, casts a pall and makes HIV prevention efforts an uphill battle. Apathy and denial have sidelined a much-needed national HIV/AIDS dialogue that could shatter myths and stem the tide of discrimination spread across the country.

The world has probably never seen an HIV epidemic like India's. The combination of diversity, the hidden


RITESH SHARMA

AIDS in India is far too complex, and the public health system much too fragile, for the task to be left to the government alone. Business must step up to this challenge

and dispersed nature of sex work, and the sheer scale and high levels of stigma make for a complex epidemic, posing a major challenge to prevention work.

Despite these challenges, there is a silver lining. India is still at an early stage of the epidemic, and an investment in prevention today can avert a socio-economic crisis in the future. Avahan's main objective is to reach the high-risk behaviour groups most vulnerable to HIV, with behaviour changing communications, condom promotion and access, and treatment of the sexually transmitted infection that fuel HIV. In addition to these targeted interventions, we put effort into advocacy for a more enabling prevention environment. At every stage, we have found the parallels with best practices from the world of business striking.

Execution focus: In business, competition is intense and sound strategy must be backed by executional ability. In tackling an epidemic, execution is obviously critical. NGOs and local communities often lack the mindset and the managerial skills that are central to good execution. We place high emphasis on creating that war-room atmosphere and in building managerial capacity with our partners.

Scale: Businesses constantly strive to expand their markets, using many techniques to rapidly scale up. Avahan spans six states with a collective population of more than 300 million. To build scale, we forge strategic alliances to share the solution—such as the partnership between India's largest trucking company and petroleum retailer in our highways programme. We standardise service delivery where possible to speed rollout, as in our franchised STI (sexually transmitted infections) treatment service for men. Finally, we reach scale by intervening at the structural level—working on the root causes of vulnerability that lead to risky behaviours.

Focus: A large business with diverse markets must understand its key battlegrounds—the consumer segments and territories where winning is a must. Similarly in Avahan, we search relentlessly for the greatest points of leverage for systemwide impact. This has led us to what we believe are the few most critical geographical clusters and sub-populations in terms of the transmission dynamics. As businesses can do, we try to maximise impact by concentrating effort.

Community driven: A business listens to its consumer and designs its delivery systems accordingly. The community of sex workers is our respected consumer and we ask the community to define its needs. We then involve community members in local programme design, service delivery in structural intervention. At the end of the day, we hope to build better quality solutions, more rapid scale-up and sustainability by keeping the consumer in the driver's seat.

Measurement: A business has to meet its numbers, and good businesses invest in quality management information systems as well as longer term assessment. In the public health programmes we reviewed, careful measurement—near- and long-term—seemed the exception, rather than the rule. Avahan tries to measure impact at every level, from the effectiveness of advocacy outreach to the impact of a small town intervention. Our MIS provides detailed data from over 500 intervention sites. Mathematical modelling and specialised studies facilitate evaluation across the board.

Flexibility: Market situations are constantly evolving, and lasting businesses are those that continuously

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"Don't make the same mistakes in India we made in South Africa—we saw this coming, but the first reaction of business was that it wasn't threatening us now, that we'd let the government sort it out". Now, 25 per cent of Anglo's employees are infected with HIV/AIDS and the disease has begun to affect corporate profits, productivity and morale..."

Brian Bank, *Medical Director for the South African mining gaint, Anglo-American*

adapt and evolve. With Avahan, we are trying many things for the first time—placing many big and small bets in prevention. We trust our judgment, take reasonable risks, check results and make required programme shifts that are technically appropriate. Avahan is about focussed strategy, careful market segmentation, brand marketing and franchising. It is about strategic alliances, managing logistics, ruthless execution and measuring results. Avahan is about adapting classic business principles to a specific public health context. Sound business thinking and management practices are probably the most needed skill in HIV/AIDS, if not in public health in India, today.

My team of 10 is largely made up of people with business backgrounds – consumer marketing, banking, information technology and management consulting. All of us feel very much at home in the world of HIV/AIDS because we have found that management is the premium skill in public health.

Business skills, infrastructure and thinking can be potent weapons in the war against AIDS. Yet, barring a few exceptions, Indian business has been slow to step up and contribute. AIDS in India is far too complex, and the public health system much too fragile, for the task to be left to government alone. Business must step up to this challenge, not just because it is in a position to make a big difference, but because defeating AIDS surely is also good business.

So how can corporates contribute to the campaign against AIDS? We would suggest the following framework for action, with initiatives arrayed in roughly increasing order of impact:

Workplace programmes: The minimum contribution any business should make is to have a compelling workplace programme for HIV prevention, education and awareness. Such a progamme should be part of an overarching policy of non-discrimination towards employees who may become HIV-positive. In addition to HIV prevention activities, workplace programmes should include basic care and access to treatment services. A sound HIV workplace programme is a must for every business in India, but few have it.

Community extension: Businesses should extend the same workplace efforts to their larger business communities—the suppliers, dealers, distributors and local populations of their townships. By so doing, they could greatly enhance the scale of their impact.

Providing infrastructure and access: Businesses with large supply chains can allow these to be leveraged for the supply of prevention services (e.g., condom rural distribution; awareness messaging). An example in our programme is Indian Oil Corporation, which has agreed to provide access to some 4,000 highway petrol pumps that can serve as information and service points to thousands of truckers vulnerable to HIV.

Lending business skills: Every HIV prevention programme can benefit from business expertise in distribution, marketing, communications and/or project management. Businesses can provide these scarce skills through short-term training programmes, or consultancies. Employee secondment to programmes like ours will be particularly effective—with the added advantage that the employee will probably return a much better manager!

Advocacy: Business leaders in India have greater societal influence than their counterparts in most countries. Business leaders must speak out to dispel stigma, combat discrimination, defeat apathy, and to promote prevention and treatment access. The impact will be huge—whether it is done by a nationally revered HIV or by a local businessman in the small town in Guntur district.

Businesses can contribute through workplace programmes, community extension, lending business skills, leveraging their infrastructure or through advocacy. Rather than hope that HIV/AIDS does not affect your business, think about how your business can affect the outcome of HIV/AIDS in India. ■

The author is Director of Avahan, Bill & Melinda Gates Foundation India AIDS Initiative

A BOMB WAITING TO EXPLODE

What is HIV?
HIV, or human immunodeficiency virus, is the virus that causes AIDS. This virus is passed from one person to another through blood-to-blood and sexual contact. In addition, infected pregnant women can pass HIV to their babies during pregnancy or delivery.

What is AIDS?
AIDS stands for acquired immunodeficiency syndrome. A positive HIV test result does not necessarily mean that a person has AIDS. A diagnosis of AIDS is made by a physician using certain clinical criteria (e.g., AIDS indicator illnesses).

How does HIV cause AIDS?
HIV destroys a certain kind of blood cells called CD4+ T cells (helper cells), which are crucial to the normal functioning of the human immune system. Most people infected with HIV carry the virus for years before AIDS develops.

How is AIDS transmitted?
It is transmitted mostly through body fluids during unprotected sex. It can also be transmitted during drug injections if the needle is contaminated; by the transfusion of infected blood or blood products; and from an infected woman to her baby.

What is the size of AIDS-infected population in India?
An estimated 5.13 million people, or 0.5 per cent of India's population, are affected by AIDS.

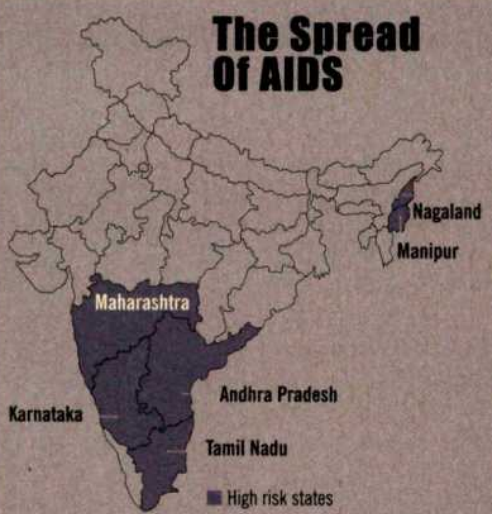
Which sections are most vulnerable to AIDS in India?
Commercial sex workers, homosexuals, intravenous drug users, migrant workers and truckers.

How are AIDS patients treated? How much does it cost to treat AIDS?
Medical treatment can only slow down the rate at which HIV weakens the immune system. There is no permanent cure. Early detection offers more options for treatment and preventative care. In India, the treatment costs about Rs 1,500 per month.

Four Myths About AIDS

- You can get HIV by using an infected person's utensils, bath towels, etc.
- AIDS is a disease that affects only homosexuals and sex workers
- You can get infected with AIDS through mosquito bites, or other air-borne or water-borne insects
- Shooting up is the only way drugs lead to AIDS

The Spread Of AIDS



Battleground Zero

The AIDS epidemic can be fought by:

- Educating people on the virtues of safe sex
- Introducing sex education in schools
- Making cheap drugs available for treatment
- Campaigning against the stigma attached to the disease

Source: Bill & Melinda Gates Foundation, NACO website and IAVI

ROCK HUDSON
Nov. 17, 1925-Oct. 2, 1985

The Hollywood hunk of the 50s and 60s announced in June 1985 that he was suffering from AIDS. This first focussed global attention on the disease.

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WHAT WILL IT TAKE To Rid India Of Corruption?

N.R. NARAYANA MURTHY

"POLICE PAPER EXTOLS THE VIRTUE OF BRIBE", "CoD to probe top IPS officer", "Notice served on Andhra MLA for fraud", "IT Commissioner lands in CBI net", "MP gets jail term for tax evasion". These are only a few of the umpteen headlines on corruption that I have taken from the Indian newspapers of the past month. Corruption in India has become so pervasive that it has seeped into our most revered institutions. No wonder then, that former Chief Justice of India S.P. Barucha was compelled to remark in 2001: "About 20 per cent of the judges in the courts are corrupt; corruption among public servants has reached monstrous dimensions in India. Its tentacles have started grappling even the institutions created for the protection of the public." Even a powerful Prime Minster like Rajiv Gandhi admitted defeat on the issue, saying that "out of every Rs 100 crore allocated to an anti-poverty project, only about Rs 15 crore reaches the people. The remainder is gobbled up by middlemen, power brokers, contractors and the corrupt". Our late President K.R. Narayanan bemoaned in 2001 how even convicted criminals were getting elected to legislatures. As much as Rs 37,000 crore, about 1.5-2 per cent of the GDP, surfaced as part of the Voluntary Disclosure Scheme of 1997. Transparency International has ranked India among the most corrupt countries in the world.

Is corruption the sole prerogative of the politicians and the bureaucracy? I am afraid not. In fact, the biggest corruption cases have been outside the government. The Harshad Mehta scam of around Rs 10,000 crore and the Ketan Parikh scam of Rs 5,000 crore have put other scandals to shame. It is estimated that Non-Banking Financial Companies have swindled over 30 million small investors. Recently, it was reported that a sizeable number of software professionals in a well-known multinational had fudged their bills. This morning, I received an e-mail from an erstwhile, dismissed colleague of mine arguing why she was not all that wrong in swiping the attendance card on behalf of another colleague! The cricket match-fixing scandal is still fresh in our memories. Several years ago, I sat through a long sermon on how Indians are corrupt from an NRI in Chicago. I had no hesitation in abruptly walking away from that meeting when he whispered into my ear, asking me whether he could sell his dollars in black. The list goes on. It is very clear that corruption is now an accepted phenomenon in the psyche of Indians from all walks of life.

Corruption is not just a moral issue. It is also a powerful inhibitor of economic progress in a poor country like India. Most economists observe that corruption thrives when politicians and bureaucrats espouse the choice of unnecessary and unviable public projects, inflated costs, and the selection of incompetent contractors. The politicians who proclaim their commitment to improving the lot of the poor would do well to remember that it is really the poor that suffer most in a corrupt country. Generally, most mega projects in a developing country are intended to bring healthcare, education and nutrition to the poor.

Infosys

In fact, the biggest corruption cases have been outside the government. The Harshad Mehta and the Ketan Parikh scams have put other scandals to shame

Largescale corruption resulting in spurious drugs, ill-built schools, absent and unqualified teachers and low-quality food stuff primarily affects the poor. The middle class and the rich do not depend on such services. Hence, as Bimal Jalan observed, corruption aggravates inequality in an already unequal society.

Similarly, corruption affects small business enterprises the most, because they cannot afford the increased costs due to corruption. On the other hand, larger enterprises use corruption to create monopolies or increase their market share, thereby improving their profitability. Hence, every politician who espouses the cause of the underdog and the poor must fight corruption.

It has been noted by economists that corruption reduces a nation's growth rate and productivity, discourages investment, enhances fiscal drain and debilitates the confidence of people in the economy as a whole, thus, creating a negative spiral. This is because corruption distorts economic decision-making, as payoffs prevail over other considerations while allocating resources. In fact, a well-known development economist showed that a 50 per cent reduction in corruption in a highly corrupt country has the potential to increase the GDP growth rate by 1.5 per cent. Researchers have also shown that corruption reduces the rate of investment to national income. If we had controlled our corruption, then India would have had a GDP growth rate of nearly 8 per cent during the 80s and the 90s rather than the 6.1 per cent that we achieved.

Is there a solution to this seemingly unsolvable problem? Is there any hope at all? Will we ever see a corruption-free society? Can we at least work towards creating a corruption-free society for our children and grandchildren? I am an optimist and I believe that every problem can be solved. It requires leadership that is inspirational, selfless and courageous. We do have a few such people in India among our politicians, bureaucrats and corporate leaders. They have to come together to fight this scourge. Let me detail a few steps needed to fight corruption.

Fairness, transparency and accountability displayed by leaders are what instil confidence in a government, a community and in a society. Unfortunately, in our society, the government and the elite rarely practice these attributes. Only when we practice these attributes in fighting corruption among the elite and the powerful, will we succeed in rooting out the problem. In the following paragraphs, I will detail how we can enhance fairness, transparency and accountability among the elite.

Let me first talk about fairness in ensuring that everybody in the land, no matter who he/she is, gets punished if guilty of corruption. It is important to create a climate of opinion where honesty matters and the corrupt are punished swiftly and ostracised. This requires the active endorsement of honesty by not just politicians but also bureaucrats, corporate leaders and in fact, every leader from every sphere. These leaders must be ready to sacrifice their positions rather than work with tainted colleagues. Whenever there is an accusation against a person, he or she must not be allowed to hold any office until proven innocent. Swift and harsh punishment must be meted out to the guilty. To me, this is the most important instrument we have in curbing corruption.

Once we practice this for a generation among the elite, the next generation will automatically

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The current thinking among various Indian politicians is that corruption is a global phenomenon. This has created the notion that corruption will be tolerated

subscribe to this philosophy. This was the norm in India in the early 50s. But today, we see many ministers accused of corruption serving in the central and state cabinets. There are many reasons for this. One of them is the ambivalent message that our leaders have sent on the issue of corruption. The current thinking among various politicians in the country is that corruption is a global phenomenon. This has created the notion that corruption will be tolerated. We have been very lax in pursuing and punishing cases of corruption involving powerful politicians, bureaucrats and rich people. Such inaction in our system during the current generation has emboldened the rich and the powerful to embrace corruption with impunity.

Economist Amartya Sen noted that it is systemic corruption at high levels that causes people to regard it as part of the "established rules of behaviour". It is extremely important, therefore, for our leaders to send the right signal to the community. Let me give you an example of this. This incident happened in Delhi in the mid-80s. I met a friend of mine one evening at Ashok Yatri Niwas for dinner. He was known to be a good, honest and upright officer in one of the central ministries. That day, he was very sad and it was clear that he was facing a moral dilemma. During dinner, he confessed that he had taken a bribe for the first time in life and he was very confused. I asked him what the confusion was about, since it was clear that taking the bribe was wrong. His answer stunned me. One part of his mind justified his action since he had seen his minister taking bribes. The other part was tormenting him that he did something terribly wrong. I have no doubt at all that he represented a large number of honest officers drawn into the dragnet of corruption, thanks to the example set by their bosses. Hence, a leader must never put himself or herself in a situation which creates such moral dilemma in the minds of the people.

Let me now give you a positive example of how corruption was fought in Singapore. This incident also took place in the mid-80s. A quick investigation into the corruption charges against one of Singapore's ministers showed that there was a *prima facie* case against him. The minister concerned met the Prime Minister to find out whether he would be protected. The Prime Minister was very clear that the minister's career was indeed over, that he would be given harsh punishment, and that he would never ever again be able to contest elections. The minister went home and put a bullet into his head. This sent a strong message to all Singaporean politicians that corruption would never be condoned.

Let me now come to transparency. The best return on investment in reducing corruption will come from reforming our election funding system. We have to adopt the German system of funding so that politicians have less incentive to be corrupt. The funding available to each candidate must be made known to the public. We must set up a whistle-blower policy so that any violation in fund inflows can be quickly and publicly investigated and appropriate action taken. The office of the Chief Election Commissioner must be strengthened. I believe that the action of the P.V. Narasimha Rao government in diluting the powers of the Chief Election Commissioner was a step backward in fighting election fraud.

Collecting data on the criminal and corruption record of each candidate and publishing them widely are extremely important in curbing corruption. The recent work of Trilochan Sastry and his associates in this area, prior to the last central and state elections, is a step that must be encouraged and adopted universally across the country. This courageous act of an MIT-educated professor has yielded significant results in exposing the shenanigans of powerful lobbies.

Corruption in government service delivery is eliminated when the government interface is removed from any activity. For example, when the government dismantled licensing of computer imports, most of the corruption that was imposed on small entrepreneurs dealing with the Department of Electronics was removed in one shot. However, the government has a tendency to create more and more new schemes which require business people to seek government approvals. In fact, it may be best if some of the services were moved from the government to organisations like

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It is the delay in punishing the guilty and the light punishment meted out to them which have emboldened crooks to indulge in corruption time and again

the UTI. For example, the recent decision of the government to transfer the process of allotting PANs to UTI has eliminated delays and chances of corruption.

Corruption opportunities are high when both the decision and delivery of the outcome of that decision rest with the same individual, and the transparency is low. Hence, if we want to reduce corruption, it is best to implement e-governance. E-governance helps us separate the decision-making and delivery of the outcome in an inexpensive manner. Secondly, we have to bring transparency to the decision-making process. If we use software with transparent workflows for every major decision-maker involved in the government, we will know who is delaying processes. Thus, pressure can be brought on the government to deliver services effectively.

The e-Seva centres in Hyderabad are an excellent example of how e-governance benefits the common people and helps eliminate corruption in state services. The e-Seva centres have helped bring transparency and speed to a wide range of state services, from the payment of utility bills to the issue and renewal of certificates, permits and licences, and even payments for FIRs.

Let me now talk about accountability. Swift and harsh punishment meted out to the guilty is what serves as a deterrent to corruption in developed countries. In India, most of the Lok Ayuktas have failed since they are under the control of the state governments and the quality of staff is rather poor, except in rare cases. We have to create a separate, jury-based judicial system to dispose of corruption cases quickly. A jury system will bring better visibility to such acts of crime and would also reduce the load on the judiciary.

These courts must be chaired by eminent men and women who do not owe allegiance to politicians and bureaucrats. They must be outside the purview of state legislatures and accountable only to Parliament. The punishment meted out in these cases must be very harsh, and we must not allow any further appeal once the jury has decided the case. Such a system would be a strong deterrent to corruption. In fact, it is the delay in punishing the guilty and the light punishment meted out to them which have emboldened crooks to indulge in corruption time and again.

Unfortunately, the CBI has not done a good job in tracking and punishing the guilty. It has only deterred honest officials from acting efficiently. Its success rate has been very low. The model of the CBI has to be changed drastically to reassure honest people that they will not be harassed. In fact, the CBI must be supervised by a committee of eminent citizens with executive powers, to enhance its credibility. This committee must ensure that the CBI has good, reliable data before it can file a case.

Corporate leaders have to walk the talk when it comes to honesty. Then, they will have the moral authority to take swift action when they see the transgression of values and rules. In fact, Infosys demonstrated this a few years ago when a senior member violated the value system of the company. It took us just a few hours to come to our decision and ask for his resignation.

At the end of the day, leadership is what determines the success of a corporation, community or country. If leaders from all sections of the society come together to fight this scourge, I am certain that corruption will disappear like dew on a sunny morning. ■

The author is Chairman of Infosys Technologies Limited

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GNAWING AWAY AT OUR INNARDS

How Corruption Pulls Us Down

India's GDP: Rs 28,30,465 crore

The parallel economy: Rs 11,32,186 crore*

Loss of revenues: Rs 1,13,219 crore ^

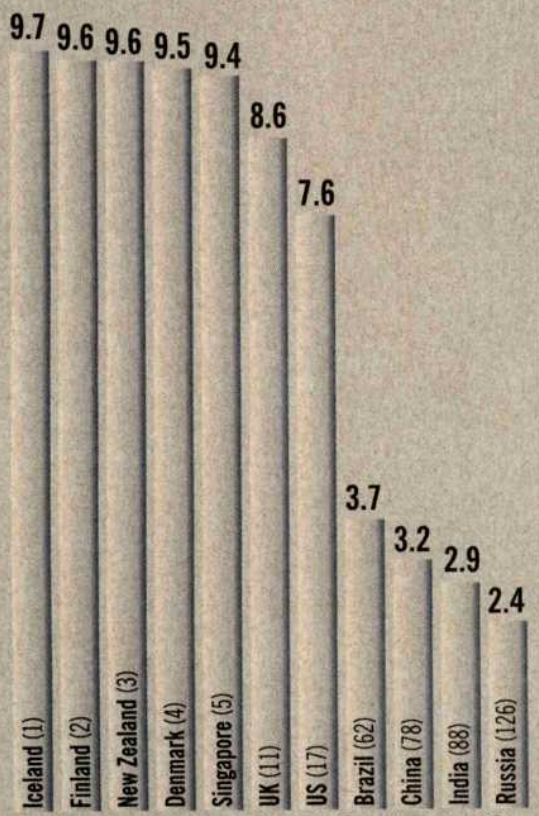
Conclusion: If this huge economy were to come overground, the country's per capita statistics would look almost respectable

Figures for 2004-05
^ At 10 per cent tax-GDP ratio

*Estimated
Source: CSO and *BT* estimates

Whither India

While Iceland is the least corrupt country, India (ranked 88 out of 159 countries), has a far from clean image.



Source: Transparency International Corruption Perceptions Index 2005

The Main Founts of Corruption

Politics and elections: It costs an estimated **Rs 2-5 crore** to run a decent election campaign for a parliamentary constituency. The obvious source of funds: cash for favours, extortion and other criminal activities.

Policy decisions: This happens at the highest levels of the government. Policies are often tailored to suit the requirements of particular business houses.

Inspector Raj: Minor officials in various ministries can hold up projects worth thousands of crores on specious grounds. The obvious remedy: speed money.

Mid-level and minor officialdom: As anyone who's had to file tax returns, apply for a driving licence or a passport knows, nothing moves without monetary gratification.

Real estate: Despite the growth of bank loans, PAN and increased scrutiny, housing remains one of the largest generators of unaccounted money and corruption, though not necessarily in that order.

Source: *BT* estimates

A Way Out

The Right to Information Act (RTI), 2005, can be a potent weapon against corruption. Under RTI one can:

- Seek any information/material in any form including records, documents, memos, e-mail, press releases, circulars, orders, logbooks, contracts, reports, papers, samples, models, data material held in any form and information relating to any private body which can be accessed by a public authority under any other law for the time being in force;
- Inspect works, documents, records; take notes, extracts or certified copies of documents or records; take certified samples of material; obtain information in form of printouts, diskettes, floppies, tapes, video cassettes or in any other electronic mode or through printouts;
- Demand the information within 30 days for normal applications and 40 days where third party submissions are called for. In cases where the information concerns the "life and liberty of a person", the time limit is 48 hours; and
- Demand that the information be made available at the local office where the application is made. This takes care of any loss in transmission.
- A Public Information Officer can be penalised Rs 250 per day up to a maximum of Rs 25,000 for not providing information

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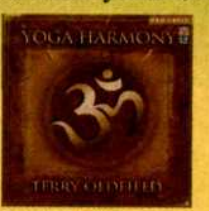

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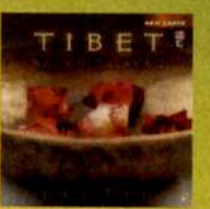

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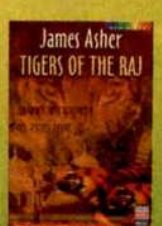

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Champagne of the East

It was past 7 p.m and the weather was nippy, in order to curb the spine chilling experience, what you expect? A cup of hot tea use? Tea acts as one of the energizers which man has ever tasted. Tea, according to legend, was discovered in 2732 B.C. by a Chinese emperor when some tea leaves accidentally blew into a pot of boiling water. Tea drinking became very popular in the 1600s. The Boston Tea Party protesting the British tea tax was one of the acts preceding the Revolutionary War. At the end of 19th century, tea industry developed in the south Asian countries and Chinese market declined as the Westerners enforced blockade causing low export and yielding.

History is continuous. As one piece of fuel is consumed, the flame passes to another. Tea entered the magnificent world from the luxuriant jungles of Southwest China, during which it went through numerous sufferings and protracted tortuous struggle. Tea became indispensable part of human culture and livelihood, being consumed as a ritual. It has gone through social, political and cultural upheavals and has stayed a part of human habit until date.

Tea Industry Update

With Herculian change Indian Tea Industry continues to be the world largest producer and consumer of tea. Domestic productions as well as exports have been on a rise.

Demand Supply scenario

India's tea production increased by 17.7% yoy to 149.8mn kg during Jan-Apr 2005. Production in both the northern (up 23.7%) and southern (up 8.8%) regions witnessed an upward trend. Total tea exports from India in volume terms grew by 7.5% yoy to 149.8mn kg, during the same period. Exports from southern region grew sharply by 25.4% yoy however, northern region registered a degrowth of 12.6% yoy in tea exports. Domestic prices (Kolkata auctions) during May 2005 registered a decline of 5.6% yoy (8.9% mom) to Rs72.9 per kg from Rs77.2 per kg in May 2004.

Tea production and exports

(mn kg)	Jan-Apr 2005		Jan-Apr 2004		yoy %	
	Production	Exports	Production	Exports	Production	Exports
North India	94.1	20.2	76.1	23.1	23.7	(12.6)
South India	55.7	32.6	51.2	26.0	8.8	25.4
All India	149.8	52.8	127.3	49.1	17.7	7.5

Source: Indian Tea Association

Exports

India is the largest producer of tea and ranks fourth in terms of total tea exporters in the world. Total world tea exports grew by 4.4% yoy to 230.2mn kg during Jan-Apr 2005. Indian exports in value terms grew by 7.8% yoy to Rs4.6bn during Jan-Apr 2005. Exports from Southern region registered a strong growth of 26.9% yoy at Rs2.1bn while, exports from Northern region declined by 4.7% yoy to Rs 2.4bn. "Some leading players appear to have adopted a policy of concentrating on front and activities such as blending, packaging and brand marketing taking the view that they would like to exit from the back-end i.e. growing and manufacturing tea. A number of tea companies - cutting across size - appear to be taking the view that given the volatilities of the tea market and the high cost of tea production in India their land holdings (tea grant land) could be put to better use by a planned diversification to other crops bearing commercial potential. This would be more so in the backdrop of some areas within these tea grants being unsuitable for tea cultivation or which may not yield commercially viable output" said Mr. Aditya Khaitan Managing Director McLeod Russel and Mr. A K Jajodia MD (Assam Co.Ltd) The Assam Company Ltd was founded in 1839 and is the pioneer tea plantation company.

Mr.KK Jajodia, CHAIRMAN
Assam Company Ltd

In 1845, Her Majesty Queen Victoria awarded the "Royal Charter" to the Assam Company Ltd by a Deed of British Parliament, the then Empress of India in recognition of its pioneering excellence

(Rs mn)	Jan-Apr 05	Jan-Apr 04	yoy (%)
North India	2,448	2,568	(4.7)
South India	2,136	1,684	26.9
All India	4,585	4,252	7.8

Source: Indian Tea Association

Imports

During Jan-Mar 2005, tea imports into India increased to 4.56mn kg from 2.91mn kg in Jan-Mar 2004. Vietnam was the major exporter at 1.78mn kg.

Tea imports into India

Countries	Jan-Mar 05		Jan-Mar 04		Inc/Dec
	(mn kg)	(Rs/kg)	(mn kg)	(Rs/kg)	(mn kg)
Indonesia	0.47	58.42	0.59	62.88	(0.12)
Nepal	0.22	55.55	0.73	50.47	(0.51)
Sri Lanka	0.05	92.74	0.40	97.72	(0.35)
Vietnam	1.78	36.44	0.60	26.88	1.18
Kenya	0.45	68.95	0.57	80.98	(0.12)
Others	1.59	50.08	0.02	N/A	N/A
Total	4.56	45.53	2.91	59.39	1.65

Source: Indian Tea Association

However, due to stiff competition from countries like Sri Lanka, Kenya, China, Bangladesh and Indonesia, and issues of quality,

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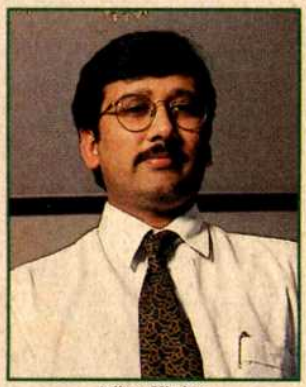


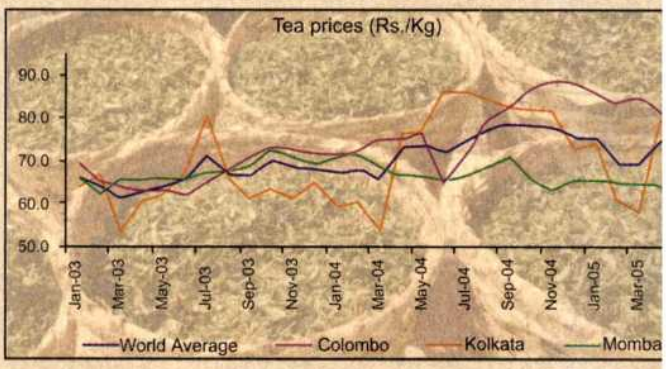
Aditya Khaitan
Managing Director

realizations on Indian teas have been witnessing a downward trend. "Sri Lanka and Kenya have their cost of production much lower than ours because of labour cost. The government of India is aware of the problem and is considering it. The Indian companies also have been trying to make better quality of teas. Bangladesh is not much of competition to India and China produces typical kind of teas as we know and their tea has a special market which we are not in competition with at the moment, asserted Mr. A K Jajodia, MD, Assam Company Ltd . Mr. Aditya Khaitan, MD, McLeod Russel said "India with its high cost of production will always be disadvantageously placed against Kenya, Bangladesh, China, Vietnam, etc. and would make it difficult to stand in the price competition. While the price of certain regional varieties remain competitive for certain months of the year given the seasonal variations which are pronounced in Indian tea, it is becoming more apparent that India per se would be better served if it were to concentrate on quality and market servicing aspects to sharpen its competitive edge. It would also have to focus on markets which have shown intrinsic preference for India tea".

The Union Govt. have announced "special package" that is still to be implemented for uplifting the quality of Indian tea in the world scenario. "The special package announced by the Union Government for tea is presently under active consideration. The benefit that will accrue subsequently will be that the bushes which are at present 50 years or older will be up-rooted and replanted with much better planting material, both in terms of quantity and quality and the whole process would be subsidized" said MD Assam Company Ltd. "There is yet no announcement of any "Special package", the Industry and the Central government have been focused on the need for introducing a Special Purpose Tea Fund to encourage higher levels of replantation and rejuvenation in the industry. This initiative would be needed to address the constraints which most tea companies face towards accessing long term funds for replantation and rejuvenation programmes which have a long gestation" said Mr. Aditya Khaitan, MD McLeod Russel

Tea Prices

In the last three months, tea prices have started declining at Colombo and Mombassa auctions. Prices at Kolkata auction had shot up to Rs80 per kg in April 2005 however, in May the prices have declined to Rs72.9 per kg. The average worldwide tea prices declined by 4.2% yoy and by 6.7% mom to Rs70.4 in May 2005. Tea prices at the Colombo auction fell 6.6% mom but are up marginally by 0.5% on yoy basis to Rs76.9 per kg.



Source: World Bank Development Prospects Pinksheet

Note: International prices have been converted at an exchange rate of Rs43.66.

Competitive countries' restraining the production cost has always remained a serious concern for tea players "The production cost in India is the highest amongst all nations producing tea. The reason is the high social and other mandatory costs" said Mr. AK Jajodia MD Assam Company Ltd. With the extensive labour problem, which has been a serious concern for the Indian tea producers for generating quality tea in the world market, "Tea Plantation sector in India is well aware of the compulsions to enhance labour productivity as a means to remain competitive. Recent wage agreement has therefore sought to incorporate a productivity element which seeks encourage higher worker productivity through a structured incentive while at the same time introducing penalty for performance below set task" said Mr. Aditya Khaitan, MD McLeod Russel.

Recent studies shows that Tea Board plays a crucial role in order to bring Indian Tea Industry into the limelight of the world scenario, "Tea Board has recently introduced a Tea (Export & Distribution) Control Order to strictly monitor and check the quality of imported tea for re - exports and exports in general through designated inspection agencies. It is felt that this would ensure quality and enhance the image of Indian tea in the export market" remarked MD McLeod Russel and MD Assam Company Ltd.

Despite the negative image of Indian tea by re-exporting substandard teas in the guise of Indian tea, the future of the tea industry look bright due to strong growth in domestic consumption.

Going by the age-old notion: the bestseller does not necessarily make a classic - the Indian tea would always remain the best in the world. In terms of taste and flavour, the connoisseur would always savor a cup of Indian tea with the same finesse as in the case of a glassful of Champagne.

— Prantik Chakraborty

Planting Success

Exploring Future

The first tea company in the world, is engaged in the development of the region for over 160 years. Carrying forward the Legacy of success in tea plantation Assam Company recently formed Oil and Natural Gas Division which forayed into the exploration and production of hydrocarbons in the Assam Region.

Allotment of 5 (Five) Oil Properties : One Exploration Block – AA-ON/7 measuring 1450 sq km. and 4 (Four) Discovered Fields i.e. Amguri, Laxmijan, Bihubar & Barsilla all located in the Assam-Arakan Basin have strenthenth our vision of putting Assam prominently on the oil map of the world.

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Established 1839

Assam Company Limited

Colour Bar

Tracking SUCCESS

Customer service, corporate excellence and technology initiatives are the driving force for the State Bank of Saurashtra

Headquarters of the State Bank of Saurashtra at Nilambaug Chowk, Bhavnagar, Gujarat

With its roots firmly entrenched in the soil of Saurashtra, the State Bank of Saurashtra (SBS) is a growing and progressive institution. Prior to 1948, the region of Saurashtra, which presently forms a part of Gujarat state, comprised of many small, medium and large princely states. After the princely states were integrated to form Saurashtra that year, the need to amalgamate five "darbar banks" and convert them into a single state-owned bank was felt to serve as an instrument for developing the economy of the region. Accordingly, the Bhavnagar Darbar Bank was formed into a statutory corporation, called State Bank of Saurashtra, under the Saurashtra State Bank (Amalgamation) Ordinance, 1950. The bank became an associate bank of State Bank of India (SBI) under the State Bank of India (Subsidiary Bank) Act, 1959.

The bank aims at corporate excellence and profit maximisation with a focus on the customer by means of product development, improvement in technology and harnessing potential for growth in alignment with national objectives. Excellence in man-management and optimal use of human resources have been the bank's cornerstones in establishing a position of eminence for itself. With a thrust on technology and quality services, it derives strength from an extensive network of branches equally distributed in the rural, semi-urban, urban and metro centres.

VISION

To be the premier public sector bank of Gujarat aiming at growth and profit with focus on customer delight by means of improved technology, product development, excellence in service, thus harnessing the potential for growth in alignment with national policies and priorities in a planned manner to meet growth challenges

Network

The core strength of the bank lies in being a compact unit with 424 branches. This facilitates easy and faster communication especially with regard to decision-making. Another forte of the bank is the positioning of its branches in the state of Gujarat—its main area of operation and one of

the most prosperous states in the nation. In Saurashtra, where the bank has a deep penetration, it enjoys an unparalleled trust among its clientele. Coupled with a dedicated and trained manpower, it gives the bank a unique position in the banking area in Gujarat. It has a strong network of 261 branches in Saurashtra and 163 branches spread over other parts of the country.

The bank is present in 14 states and two Union Territories (UTs). It has lead bank responsibilities in seven districts in the state of Gujarat, besides the UT of Diu. It commands a market share of 37.88 per cent in advances and 32.33 per cent in deposits in Saurashtra.

Technology initiatives

The bank has taken to technology fast and achieved success in implementing several technological initiatives much ahead of many other public sector banks (PSBs) and also within the State Bank group. It has achieved 100 per cent computerisation ahead of all PSBs in Gujarat. When the focus shifted to networked solutions through core banking, it again achieved it much ahead of other banks. It is the third PSB to bring all its 424 branches under core banking. With 100 per cent of the branches networked, the bank has been able to offer services and products based on the state-of-the-art technology. SBS has made all its branches real time gross settlement (RTGS)-enabled and is the first PSB to cover all branches under the scheme. With an ATM base of 175 units, its customers have access to more than 10,000 ATMS out of which the services of around 6,000 ATMS of the State Bank group are available free of cost. Anywhere banking has become possible now with the introduction of "core power". With this facility, customers of SBS can transact banking business at any branch.

Chairman, State Bank group, A.K. Purwar inaugurating a modernised computer lab

Chairman, State Bank group, inaugurating 51st core banking branch in February 2005

Priority sector advances

The bank has continuously maintained a high standard in meeting several benchmarks set by the Indian government and the Reserve Bank of India (RBI). Priority sector advances represented 45.64 per cent of net bank credit as against 40 per cent benchmark at the end of March 2005.

Agriculture finance

PERFORMANCE OF THE BANK IN PRIORITY SECTOR AND AGRICULTURE ADVANCES (Rs in crore)

	March 04	March 05	Sep 05
Priority sector advances	2341.38	2912.20	3218.23
% to Net bank credit	45.63	45.64	45.85
AGL advances	972.79	1209.82	1284.84

It was one of the only seven PSBs to have been felicitated by the Union Finance Minister P. Chidambaram in September 2004 for its achievement in agricultural lending. Agriculture finance, which constituted 18.96 per cent (March 2004) of net bank credit, is well above the benchmark of 18 per cent as prescribed by the RBI. The bank's agriculture finance has been consistently increasing over the years under both direct and indirect agricultural lending.

- Against a target of 30 per cent increase over the preceding year, achievement was 32.68 per cent during 2004-05.
- Against a disbursement target of Rs 795.14 crore for the half-year till September 2005, the bank disbursed Rs 984.80 crore, achieving 123.85 per cent of the target.
- 2,27,707 released kisan credit cards for all eligible borrowers.

interview

S. K. SINGH

"Ours is a performance-driven bank"

The State Bank of Saurashtra (SBS) has registered tremendous success since its inception thanks to innovative policies and programmes. S. K. Singh, Managing Director, talks about the growth in all these years. Excerpts from an interview:

Q: Where does the State Bank of Saurashtra stand in the banking sector?

A: State Bank of Saurashtra is an associate bank of State Bank of India and the bank's achievements in respect to both business and qualitative areas have been very impressive during the last three years. With significant upgradation brought about in the area of technology, efficient management of NPA portfolio of the bank and excellent growth achieved in priority sector lending—covering vital segments of economy like agriculture, SSI and also export—SBS has earned for itself a place of eminence in the Indian banking industry.

Q: Could you elaborate further on the bank's achievements in priority sector lending?

A: The bank's performance so far as priority sector lending is concerned has been one of the best in the banking industry. The bank's total credit to the farm sector constitutes 18.96 per cent of net bank credit (as on March 2004), which is much better than the benchmark of 18 per cent prescribed by RBI. The percentage of bank's credit to SSI, which stands at 15.37 per cent of net bank credit, is the highest among all public sector banks. It will not be out of place to mention that the share of export finance to total bank credit is 13.07 per cent as on September 2005, which again is well above RBI benchmark of 12 per cent.

Q: Adoption of technology for better efficiency and customer servicing is now a benchmark for evaluating a bank's performance. How tech-savvy is SBS?

A: Many new initiatives have been taken by the bank during the last three years to bring about technological upgradation. All the branches were fully computerised before the end of the year 2003. All our branches have also migrated to core banking solution to provide "anywhere banking" facility to the customers of the bank. We were the third public sector bank to have completed this project. As on date, all our branches are also RTGS-enabled.

Q: Which of your products and schemes have been a great hit?

A: We have evolved some of the most innovative products. Three of them stand out—laghu udhyami credit card scheme for SSI units, samadhan manch scheme for settlement of NPA as well as written-off accounts and the scheme for diamond processing units. The laghu udhyami credit card scheme enables small borrowers like retail traders and SSI units to get hassle-free loans up to Rs 10 lakh. The samadhan manch, which is akin to a lok adalat, is a scheme under which we organise camps for settling NPA and written-off accounts on the spot. We have resolved a few cases in such camps to the benefit of the bank as well as the customers. One of the factors behind its success is the fact that it is handled by senior SBS officers. The scheme for small diamond processing units is also a great success because it is designed to finance the receivables and overheads in respect of diamond processing units

Q: What are the future expansion plans of SBS?

A: Since in Saurashtra we have covered most important centres, we plan to enlarge our coverage in other commercial centres of Gujarat like Ahmedabad, Surat and Vadodara. We are also planning to open a regional office in Surat. Beyond Gujarat, we wish to have our presence in all state capitals and important business centres. We have created a new zonal office in Mumbai, alongwith a regional office attached and another regional office based in Delhi.

Union Finance Minister P. Chidambaram felicitating the MD, SBS for achievement in agriculture lending

Small & medium enterprises

Its percentage of total SSI advances to net bank credit has remained the highest amongst all PSBs in the last five years. SSI advances amounted to Rs 1,078.66 crore (15.37 per cent of net bank credit). To accelerate its services, the following schemes have been introduced:

- Loan scheme for financing small diamond processing units.
- Swarojgar credit card scheme: Credit facility extended for composite loan upto Rs 25,000 for rural artisans.
- Laghu udhyami credit card scheme: A scheme to provide hassle-free credit facility to small borrowers, retail traders and SSI units upto Rs 10 lakh.
- SBS-SIB credit card scheme: Loan product based on credit scoring for loans upto Rs 10 lakh.
- SBS-SME smart score scheme: Product for credit limit above Rs five lakh and below Rs 25 lakh based on credit score.
- Cyber plus scheme: For extending assistance to cyber cafes being set up in rural areas through a tie up arrangement. The maximum loan amount is fixed at Rs 49,000.
- Paryatan plus scheme: A special finance scheme to promote tourism-related business activities in all centres.

FINANCE TO SMALL-SCALE INDUSTRIES THE SHARE OF SSI ADVANCES TO NET BANK CREDIT OF THE BANK (Rs in crore)

	Net bank credit	SSI adv	% SSI to NBC
March 04	5,131.40	785.17	15.30
March 05	6,381.43	903.76	14.16
September 05	7,018.81	1,078.66	15.37

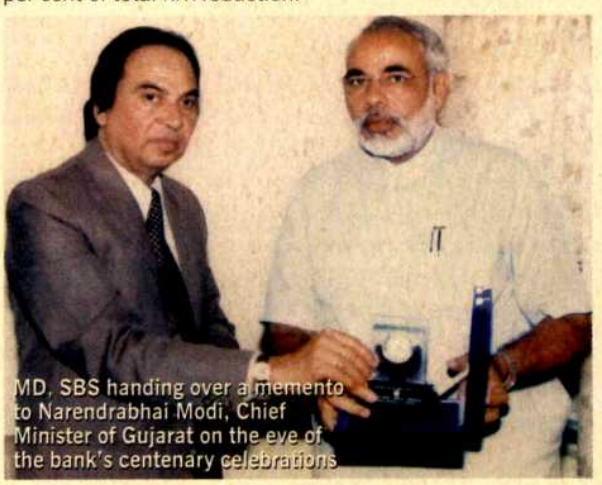
Export finance

Export credit as on September 30, 2005 at Rs 917 crore, constitutes 13.07 per cent of the bank's net credit, surpassing the prescribed benchmark of 12 per cent.

Gross NPA-Lowest among PSBs

Non-performing asset (NPA) management of the bank continues to be on track and result-oriented during the past four years. That its asset quality is improving day by day is reflected through a decrease in NPA both in absolute and percentage terms. Standard assets to total assets, which were standing at 85.43 per cent as on March 31, 2001, improved to 97.30 per cent as on March 31, 2005. The gross NPA ratio which was at 14.57 per cent as on March 31, 2001 stands reduced considerably to 2.70 per cent as on March 31, 2005. The gross NPA of the bank at Rs 183 crore is the lowest amongst all PSBs. Net NPA ratio has also improved considerably from 7.30 per cent as on March 31, 2001 to 1.40 per cent as on March 31, 2005.

The total reduction in NPAS during 2004-05 is Rs 140.43 crore which includes cash recovery of Rs 42.90 crore and upgradation of Rs 44.49 crore, both constituting 62.23 per cent of total NPA reduction.


MD, SBS handing over a memento to Narendrabhai Modi, Chief Minister of Gujarat on the eve of the bank's centenary celebrations

Its strategies to enhance the quality of assets are:

- The managing director, chief general manager and other top management functionaries and controlling authorities monitor NPA accounts as per prescribed cut-off limits.
- Successful and effective use of securitisation act for recovery of dues from defaulters.
- The bank has devised a unique scheme for settlement of dues from chronic defaulters called "SBS Samadhan Manch". Recovery camps are organised at multi-branch centres. The response in respect of samadhan manch has so far been spontaneous and very impressive. Cash recoveries in written-off accounts amounted to Rs 44.35 crore as against Rs15.61 crore (in 2003-04) registering a rise of 284 per cent.
- The bank has introduced RBI OTS for SME NPA borrowers and made efforts for eligible SME borrowers to avail the benefit of the scheme and settled their dues.
- The bank is actively participating in the corporate debt restructuring (CDR) forum.

Industrial finance

The bank has been a pioneer in the field of financing ship-breaking activities and has played a catalytic role in the development of Alang ship-breaking yard, near Bhavnagar, one of the largest ship-breaking facilities in Asia. It has made significant contributions to facilitate manufacturing activities of diamond-processing, textiles, chemicals, petrochemicals and many other industries thriving in Gujarat. Clusters of industries such as ceramic tiles in Morvi, brass parts in Jamnagar and oil engines in Rajkot, to name a few, have been assisted under the bank's liberalised credit schemes.

It has played an active and pioneering role in the promotion and growth of the diamond exports, which is one of the leading industries of Gujarat. The bank, with an aggregate credit exposure in excess of Rs 700 crore has assisted a large number of small, medium and large diamond processing and exporting units.

Apart from the above, the bank has also extended finance to many mid-corporates. Credit-Deposit (CD) Ratio for bank as a whole was 57.01 per cent at the end of September 2005 as compared to 56.04 per cent on March 2005.

Retail banking

The bank has a pool of 17, 82,000 customers who have savings bank accounts with different branches. A rural customer is as well-connected to the latest banking technology as an urban customer. In rural, semi-urban, urban and metropolitan areas, core banking provides latest in banking services. This, coupled with customer-friendly approach of the staff, has made the bank fully equipped to attain new heights in times to come.

SBS offers a variety of facilities to all its customers—from a big corporate to a common man. In the area of retail finance, its major schemes are housing loans, vehicle loans, personal loans, mortgage loans, education loans and loans for two-wheelers. The bank has introduced new innovative products including:

- SBS X-press credit for instant credit to the salaried class.
- SBS equity plus for facilitating investment in equity market.
- SBS realty for financing purchase of land for housing.
- SBS maxgain to reduce interest burden under housing loan

The bank's retail lending portfolio grew by 29.86 per cent during 2004-05. Housing loans to public recorded a growth of 78.08 per cent. Growth under education loan, personal loan and mortgage loan registered growth of 54.94 per cent, 52.95 per cent and 49.37 per cent respectively. In keeping with national priorities, the bank's disbursement under housing loan also included Rs 39.83 crore for rural housing.

Business process re-engineering

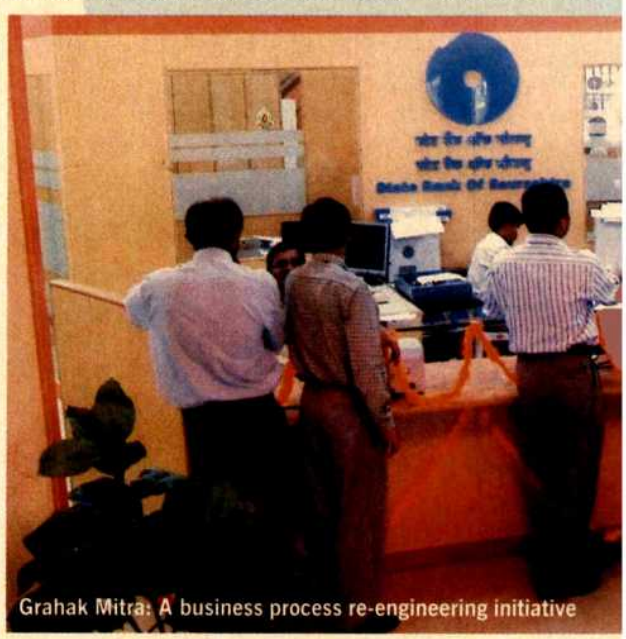
To take advantage of the technological revolution happening in the banking industry, SBS has introduced "business process re-engineering" (BPR) initiatives.

These are aimed at radically redesigning business processes to bring about improvement in performance including increase in customer satisfaction and convenience, improvements in credit quality and response time, simplification of processes, keeping pace with technological changes, improving market share and quality of business.

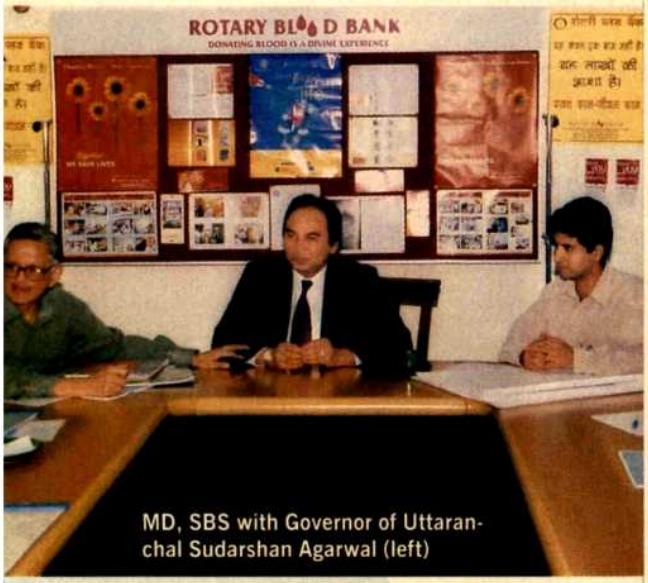
The BPR initiatives introduced by the bank are grahak mitra, drop box, relationship manager, retail assets and small enterprises, credit cell and currency administration cell. To make banking a pleasure, initiatives in the area of improving ambience of the branches have been taken.

Community service

The bank has undertaken several community service activities at all its branches. It has actively participated in the nationwide campaign for polio immunisation by displaying banners, hoardings and purchase of vaccine carriers. It donated Rs 23 lakh to the Prime Minister's



Grahak Mitra: A business process re-engineering initiative



MD, SBS with Governor of Uttaranchal Sudarshan Agarwal (left)

National Relief Fund during the year 2003-04 for the welfare and rehabilitation of flood-affected victims. It also donated Rs 20 lakh to the Prime Minister's National Relief Fund during 2004-05 for the welfare and rehabilitation of tsunami-affected victims and their family members.

SBS has donated Rs 3.50 lakh for two consecutive years to the Life Line Foundation in Vadodara for the Highway Rescue Project (HRP) on NH-8A. It has also donated Rs 5 lakh to the Him Jyoti Foundation in Dehradun, which is engaged in noble cause of supporting children from economically weaker sections of the society.

Regional rural banks

The bank has sponsored three gramin banks namely, Jamnagar Rajkot Gramin Bank, Surendrnagar Bhavnagar Gramin Bank and Junagadh Amreli Gramin Bank. All the three regional rural banks (RRBS) sponsored by the bank have been doing exceptionally well for many years now. The three RRBS have been making profits consistently over the years. The Jamnagar Rajkot Gramin Bank was adjudged the best RRB in 2003-04 while Surendernagar Bhavnagar Gramin Bank has been adjudged the best RRB in Gujarat State for the year 2004-05. The bank has proposed to government of India (through NABARD) to merge all the three RRBS to form a new and stronger entity covering the whole of Saurashtra.

Milestones covered

- **Business Today - KPMG survey ranks the bank the 4th Best Bank amongst PSBS (2003-04).**
- **Third PSB to migrate all branches to core banking.**
- **First PSB to cover all its branches under RTGS.**
- **Gross NPA in absolute term (Rs 183 crore) is the lowest best amongst all PSBS (2004-05).**
- **Ratio of gross NPA to gross advances is the 2nd best amongst PSBS.**
- **Net NPA at 1.4 per cent.**
- **Percentage of priority sector lending to net bank credit at 46 per cent is much above the benchmark of 40 per cent.**
- **It was one of the only seven PSBS to have been felicitated by Union Finance Minister P. Chidambaram in September 2004 for its achievement in agricultural lending.**
- **SSI advances to net bank credit is 14.16 per cent (15.37 per cent till Sept 2005), which is the highest amongst all PSBS.**
- **Export credit to net bank credit is 13.07 per cent (Sept 2005) against the prescribed benchmark of 12 per cent.**

SET ON FAST TRACK

On the business front, the total business of the bank increased by Rs 3,230 crore at 20.5 per cent to reach Rs 18,958 crore at the end of March, 2005.The deposits of the bank grew by Rs 1,864 crore to reach a level of Rs 12,151 crore, registering a growth rate of 18.1 per cent. Total advances of the bank grew by Rs 1,366 crore at a growth rate of 25.1 per cent to reach a level of Rs 6,806 crore at the end of March, 2005. SBS business has doubled to Rs 20,300 crore as on September 30, 2005, during the last four and half years, from Rs 10,194 crore as on March 31, 2001.

Further autonomy

On the basis of banks' achievements with respect to four important parameters—profitability, capital base, quality of asset and capital adequacy ratio—the government has awarded autonomous status to some of the PSBS. The SBS' excellent performance in each of these areas has enabled it to enjoy further autonomy from the government of India.

ACUMEN 2005

Super Achievers In Delhi Durbar

A round-up of the National Finals of the *Business Today*-Aditya Birla Group Acumen 2005, held in association with Tata Consultancy Services.

THE DAY OF THE ACUMEN 2005 national finals dawned crisp and cold. The stage was set at Uppal's Orchid, a charming resort nestled amidst greenery near the Indira Gandhi International Airport. Nattily dressed MBA students could be seen around, some biting their nails in anticipation of the "battles" ahead, and others rehearsing their debate arguments. The day started off with the master of ceremonies Karishma Mansata welcoming everybody to the *Business Today*-Aditya Birla Group Acumen 2005 national finals, in association with Tata Consultancy Services (TCS). She then invited Harsha Bhogle, the popular cricket commentator and host of Acumen 2005, on stage, and who kicked off the day's programme by calling on stage Sanjoy Narayan, Editor, *Business Today*, for a welcome speech.

The first semi-finals of the debate started off on a thrilling note. The topic was "Manufacturing is the real measure of an economy's health, not services..." and was held between the West Zone regional winners Symbiosis Centre for Management and Human Resource Development, Pune (SCMHRD), represented by Anish Basu Roy and Gautam Narang, and South Zone regional winners Indian Institute of Management, Kozhikode (IIM-K), represented by Anudeep Nagalia and Saurabh Sharma. The debate was extremely spirited, with IIM-K quite obviously bowled over by India's IT prowess when SCMHRD

PHOTOGRAPHS BY SHOME BASU

equated the manufacturing sector to a human bodies' pulmonary system and services to the nervous system. Questions about manufacturing being a regulated sector and, therefore, suffering from stunted growth, were raised by the judges who were extremely rigorous in their questioning. SCMHRD agreed wholeheartedly by saying that services had grown by default and not design, whereas IIM-K raised the point that it is indeed the disposable income available to the people in the services' sector that creates demand for manufactured goods. The result: SCMHRD advanced to the finals with their advocacy of old economy and manufacturing.

The second semi-final debate of the day was an intriguing "It's not innovation that matters but execution..." The B-schools in the fray were North Zone regional winners Institute of Management Technology, Ghaziabad (IMT), represented by Mayank Mishra and Varun Malhotra, who got vociferous home support, and East Zone regional winners Indian Institute of Management, Calcutta (IIM-C) with Abhimanyu and Abhimanyu Ganesh. The latter supported the topic with examples of supposed failures by Apple and Philips that were vehemently opposed by IMT, whose team ingeniously called 'good innovation' a three-step process that includes innovation, implementation and execution. IIM-C raised quite a furore about the inclusion of execution in innovation, but IMT retorted with a quick reply: Karsanbhai Patel. The man who took on the FMCG giants with an innovative sales strategy combining innovation in an idea and its execution was ample defence. IMT raised another pertinent point in their rebuttal—why do marketing managers get paid more than sales managers if execution is more important?

DEBATE

Winner
IMT-Ghaziabad (Top Left)
Varun Malhotra and Mayank Mishra

1st Runner-up
SCMHRD (Top right)
Gautam Narang and Anish Basu Roy

2nd Runner-up
IIM-Calcutta
Abhimanyu and Abhimanyu Ganesh

3rd Runner-up
IIM-Kozhikode
Anudeep Nagalia and Saurabh Sharma

Judges Day Out: Shailesh Dobhal, Associate Editor, *Business Today*, Shekhar Banerjee, Vice President, Marketing & Communications, Tata Infotech, Charles Barney Jenurius, CEO, Carat India, and Jayant Dua, CEO, Birla NGK Insulators, Aditya Birla Group.

This was in response to a judge's question—Is the creation of man an act of innovation or execution? IIM-C called man a great innovation gone wrong during execution. The innovative IMT team went on to win and met SCMHRD in the finals.

The National B-school Quiz finals saw four teams, with three of them from IIM-Ahmedabad (Adwaita Chaudhuri and Devadas Krishnan), Bangalore (Swaminathan G. and Thejaswi Udupa) and Calcutta (Apoorva Oza and Satyajit Dixit). The lone ranger representing North Zone B-schools was Indian Institute of Foreign Trade, Delhi (IIFT), represented by Sumeet Kaul and Avinash Kumar. Questions ranged from—Who can rightfully claim to be reading *Playboy* for its articles to who was the first man to have appeared in a Lux ad? The answers of course being the Braille edition and Paul Newman, respectively. The first few rounds of Straight Bat and Hawk Eye saw IIFT racing off to a good start but the round of BT Cover Story saw them take a few risks and lag behind. Questions like— What was the subject of the Rolling Stones' song '*Mother's little Helper*' and which automobile gained prominence during operation desert storm had the audience whispering answers Valium and Hummer, prompting a rap on the (imaginary) knuckles from quizmaster Bhogle.

The round of TCS Go For It saw all teams floundering, except IIM Bangalore, which took a lead in this round, never to look back. Aditya Birla Group Clean Sweep, Bookie's Corner, Turning Track and Slog Overs saw IIM-A catch up from a dismal last to a respectable second.

B-SCHOOL QUIZ

Winner
IIM-Bangalore (Top Left)
Swaminathan G. and Tejaswi Udupa K.

1st Runner-up
IIM Ahmedabad
Adwaita R. Chaudhuri and Devadas Krishnan

2nd Runner-up
IIM-Calcutta (Top Right)
Aproova Oza and Satyajit C. Dixit

3rd Runner-up
IIFT, Delhi
Sumeet Kaul and Avinash Kumar

Rapt attention: The audience is all ears as contestants vie for their moment of glory

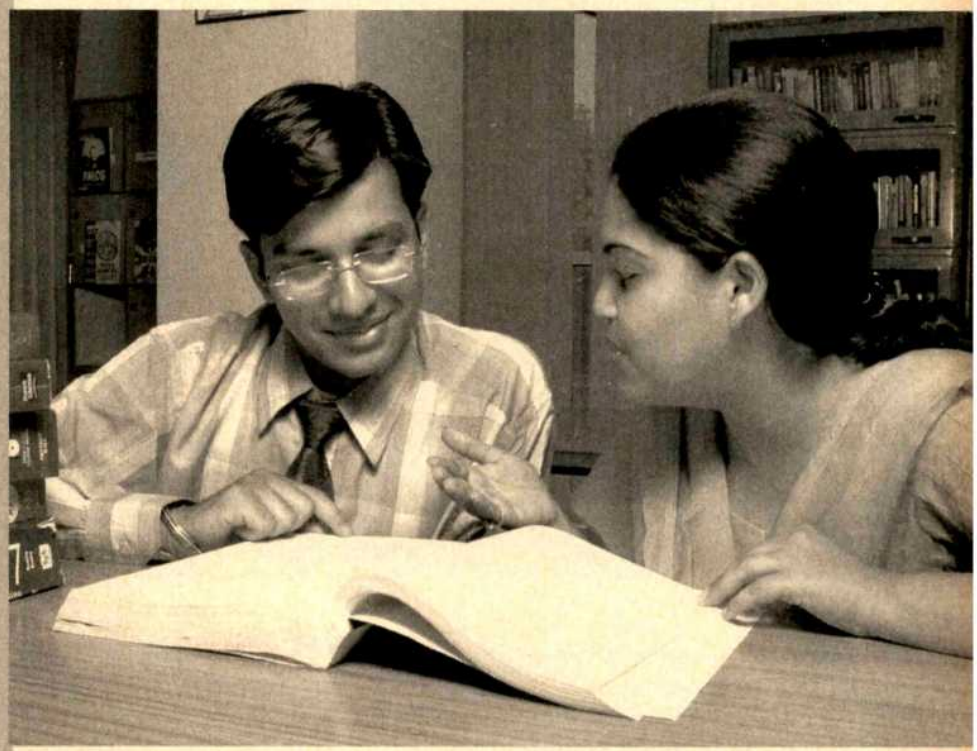
B-school Debate Final

The Acumen Debate Final between Institute of Management Technology,

ICFAI
Distance Education

MBA

Distance Learning
(2 years)



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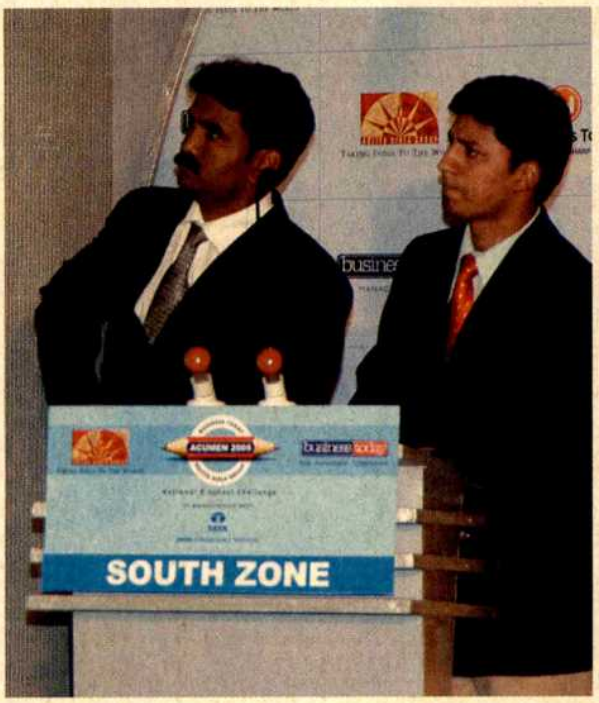

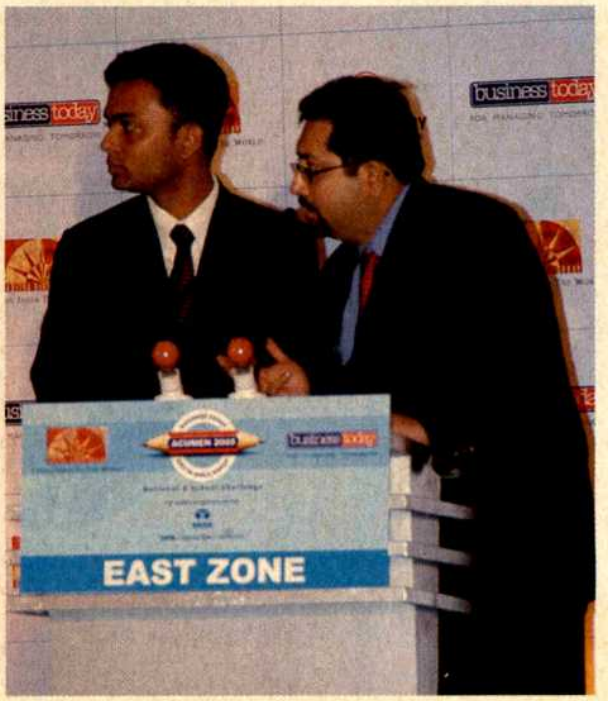

Ghaziabad, and Symbiosis Centre for Management and Human Resource Development (SCMHRD), Pune, lived up to the grand finale image, with both the teams giving their debating best. The topic, 'Globalisation benefits only the developed countries' was apt, given the backdrop of the World Trade Organization (WTO) Ministerial in Hong Kong.

SCMHRD, speaking for the motion, argued that it's an unequal relationship, and that the developed world keeps the developing world just about sufficiently interested and engaged in multilateral trade, and that the developing world just gets to have the crumbs thrown at it by bodies such as the WTO. Not very convincing, but then it was difficult for anyone to argue forcefully in favour of such a topic, and SCMHRD's Anish Basu Roy and Gautam Narang were no Noam Chomsky or Joseph Stigler.

Speaking against the topic, the IMT team of Mayank Mishra and Varun Malhotra argued very impressively and with relevant examples such as McDonald's creating jobs for Indians, that globalisation benefits everyone involved, and that the skeptics tend to confuse and play on the relative benefits accruing to the developed and the developing world to present a distorted picture.

The tough part for the participants, however, was taking on questions from the four judges: Santrupt Misra, Director, Aditya Birla Management Corporation Limited, Jayant Pendharkar, Vice President (Marketing), Tata Consultancy Servcies, Krishan Dhawan, Managing Director, Oracle India, and Sanjoy Narayan, Editor, *Business Today*. If it was not for globalisation, how could the IT and ITES benefits accrue to India, asked Mr Narayan to the SCMHRD team? And "how can you defend a body and its processes, when even its decision-making process is unequal?" asked Dr Misra to IMT on WTO? In a fiercely contested final, it was IMT Ghaziabad that came out winners of the *Business Today* Acumen Debate Final 2005.

ALUMNI QUIZ

Winner (Top left)
Prashad Shetty,
Kotak Life Insurance/ Kousali Institute of Management
A.P. Alagarsamy,
ICICI Bank/ Osmania University

1st Runner-up (Top Right)
Subhendu Roy,
ICICI Bank/ IIFT
Tathagata Chatterjee,
Rediffusion DY&R/ Indian Institute of Social Welfare & Business Management

2nd Runner-up
Arvind K, SBI/ IIM-Lucknow
Shiju Thomas,
Bases/ IIM-Bangalore

3rd Runner-up
Rathindra Basu,
ESPN Star Sports/ IIM-Calcutta
Sanjay Verma,
Cushman & Wakefield/ Management Development Institute, Delhi

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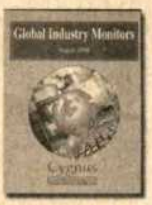

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WINNING MOMENTS

Acumen 2005 National Finals Debate Winners: Varun Malhotra and Mayank Mishra receiving Acumen Trophy from Sachin Pilot, MP and alumni, Wharton Business School, and Mr Jayant Pendharkar, Vice President (Marketing), TCS, as Dr Santrupt Misra, Director, Aditya Birla Management Corporation, looks on

Acumen 2005 National Finals B-school Quiz Winners: G. Swaminathan and Thejaswi Udupa receiving prizes from Dr Santrupt Misra

Acumen 2005 National Finals B-school Quiz First Runners-up: (L-R) Devadas Krishnan, Mr Jayant Pendharkar, Mr Sachin Pilot, Dr Santrupt Misra, Mr Pavan Varshnei, Publishing Director, *Business Today,* and Adwaita Chaudhuri

Alumni Quiz Final

The Acumen Alumni Quiz Final was a cracker of sorts. With the four teams—each representing North, South, East and West—at their professional best, the questions from quizmaster Harsha Bhogle came in fast and thick, with many a question going abegging for answer. Sample some really weird questions: Why is the euro 500 denomination note called a Bin Laden in Italy? Because, though it exists, no one has seen it lately. Which cult-classic Hollywood film is infamous for virtually cursing most brands, such as Atari, Bell and Coca-Cola, associated with it? *Blade Runner.* Which beer brand is named for an Archangel in Christian & Jewish mythology who only appears in the Biblical *Book of Daniel*? San Miguel. Arthur Conan Doyle once wrote an article about

Grand Audience Prize Winner: Abhishek Matha receiving the Yamaha Fazer Bike key from Harsha Bhogle

FROM THE PODIUM

Sachin Pilot, Member of Parliament, Chief Guest, Acumen 2005

Dr Santrupt Misra, Director, Aditya Birla Management Corporation Limited

Sanjoy Narayan, Editor, *Business Today*

Acumen 2005 Googlies

Till 1963, this company made only tractors. According to legend, the owner, a sports car collector, met Enzo Ferrari at a party and pointed out several flaws in Ferrari's designs. Enraged Enzo retored, "If you don't like the way I build my cars, why don't you go build one in that tractor factory of yours." The owner took up the challenge and which marquee resulted?
Lamborghini by Ferruccio Lamborghini.

McKinsey once set up a project to answer one question, "if we're so smart at generating great ideas, why are clients having problems implementing them?" The informal core group of 15 to 20 people who worked on the project between 1977 and 1981 had a star, Rajat Gupta. This study was later spun off into what?
The bestselling "*In Search of Excellence*" by Tom Peters and Bob Waterman (both McKinseyites).

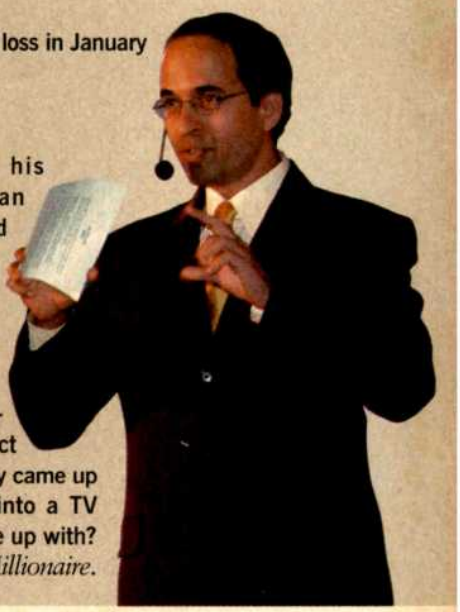
In 2003, Steve Ballmer wrote a memo to his employees in which he famously stated "We've met the enemy, and its X". What is X?
Linux.

Between the years 1916-1931, which currency was the legal tender in what is now Iraq?
The Indian rupee.

Which company posted a record $98.7 billion loss in January 2003, the biggest in corporate history?
AOL Time Warner

In 2005, who spent $200 million of his fortune upgrading the Central European University, a graduate school he helped found in Budapest in 1991. This is the second largest endowment in European history after Oxford?
George Soros.

In 1999, Group M—a WPP global media-buying company wanted to push AT&T's product awareness. Since traditional ads cost a lot, they came up with a product placement that was built into a TV programme. What brilliant idea did they come up with?
The phone-a-friend in *Who Wants to be a Millionaire*.



skiing in this Swiss winter sports town, which is often recommended to patients recovering from lung disease. Which town? Davos.

And though the teams were very competitive, the tone and tenor of the competition was relaxed.

The team from South Zone, represented by Prasad Shetty and A. P. Alagarsamy, finally pipped the team from the East, represented by Subhendu Roy and Tathagata Chatterjee, to emerge winners.

The event's chief guest, Congress MP, Sachin Pilot, an alumni of Wharton Business School, Mr Pavan Varshnei, Publishing Director, *Business Today*, Dr Santrupt Misra, Director, Aditya Birla Management Corporation, Mr Jayant Pendharkar, Vice President (Marketing), TCS, Sanjoy Narayan, Editor, *Business Today*, gave away the prizes. ■

From The Editor

DISSENT AND DISAGREEMENT HAVE ALWAYS been the leitmotif of our public life. That is what makes India so vibrant, diverse and yet cohesive. So, contrarian pulls, pressures and arguments shouldn't really be cause for comment. But I must confess to being surprised—and a little disturbed—by the force and vehemence with which different sections of society have been attempting to force their beliefs down the throats of others.

As a magazine, *Business Today* supports economic liberalisation and free trade; it advocates less intrusive state machinery and passionately supports greater transparency and individual freedom. There are sections that oppose these ideals on ideological or political grounds. I can live with that. To paraphrase 18th century French philosopher Voltaire, I disagree with what they say, but I'll defend to the death their right to say it. That is the essence of democracy and the pillar on which the right to free speech rests.

But alongside the lively, and sometimes prickly, debate on these issues, the country is engaged in other, more fundamental, arguments. The first concerns the future of the country's liberal space. I would like to believe that a vast majority of my countrymen are liberal in their personal beliefs; and that even when they strongly oppose some view contrary to their own, they do so in a sober, dignified manner. So I was more than a little perturbed at the hounding of a film actress by members of a political party; her "heresy": she had publicly aired a very common sense view of pre-marital sex. Such atavistic passions are reminiscent of 16th century pre-Reformation Europe, and, obviously, have no place in a country that is racing towards its 21st century destiny.

Equally disturbing is the rise of isolationist tendencies in sections of our urban populace. I refer here to the recent agitations in Bangalore and Mumbai against the influx of white- and blue-collar workers from other states into these cities. Imagine! These are two of India's most cosmopolitan cities, and arguably, the two most globally recognisable urban Indian centres. Yet, I haven't lost hope. Though the loony fringes may be grabbing the headlines and sound bytes, there's still a massive cosmopolitan constituency that people like you and I can depend on. This class is apolitical and, therefore, voiceless. But in a democracy, numbers ultimately count; so no mainstream political party can afford to antagonise this mass of people.

In parallel with this trend is the other, older, one of identity politics. At a time when the country is marketing itself as the world's human resource base, it is ridiculous that there are still people who believe that birth, and not merit, should be the passport to a seat at life's high table. Make no mistake; *Business Today* is all for affirmative action to help weaker sections of society find their feet in this world. But what is happening in its name makes a mockery of our stated goal of becoming a meritocracy.

There are other fault lines across the secular-communal, transparency-corruption and openness-secrecy divides. The historical truth is that no entrenched elite has ever yielded its privileges to other pressure groups without a fight. And all these debates, fights and witch hunts are really manifestations of that battle. Fifteen years of economic liberalisation have dealt a heavy blow to historical hierarchies and levelled the playing field for most Indians. It has also created uncertainties and stress points in a deeply conservative society. And the old order is merely taking advantage of these to fight back. But such resistance is to be expected. Every country in the world has had to face, and overcome, such conflicts on their road to greatness; and there's no reason why India should be different.

Meanwhile, for this 14th Anniversary issue, *Business Today* has identified 25 other, more tangible, challenges that the country faces. These, too, have to be addressed if we are to reach our goal of becoming a developed nation in the foreseeable future. And as in previous years, we've assembled a stellar line-up of contributors who offer their own unique insights into how to tackle them. The articles are insightful and thought provoking and will certainly make you think.

On that note, let me wish all of you Merry Christmas and Happy New Year.

Sanjoy Narayan

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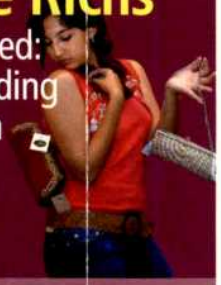
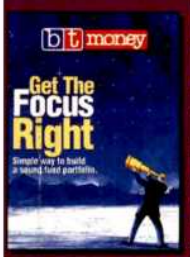
Markets

White-collar Richie Richs

Just arrived: Big-spending kids from salaried families.





BT Money

How to build a mutual fund portfolio.

Sun TV Shining Bright

Inside Kalanithi Maran's money-spinning media empire.

PLUS:

- Anil Ambani's GSM Gambit
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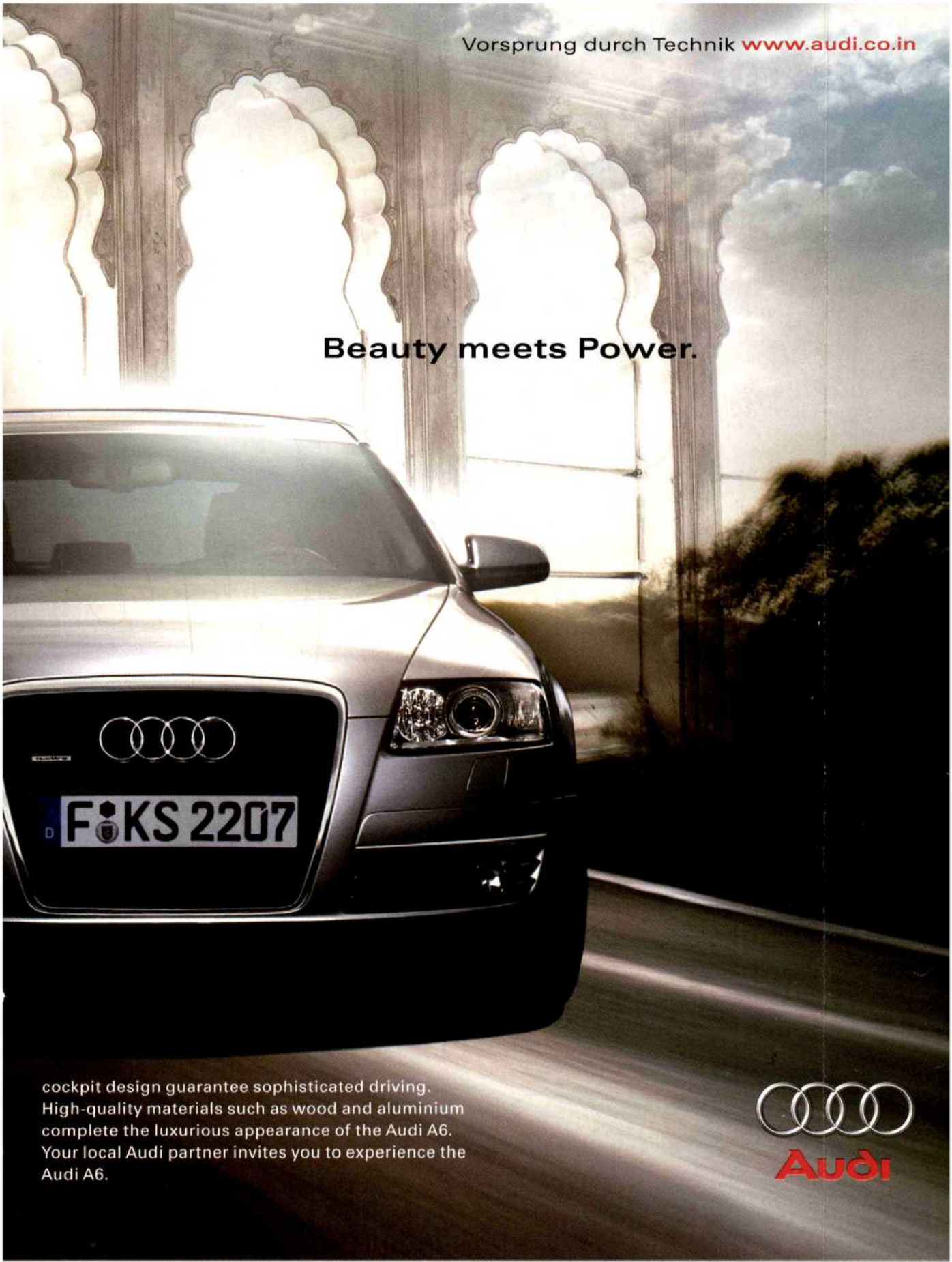
RETAIL'S COMING FACE-OFF

One wants to be India's Wal-Mart and the other *is* (Bharti-) Wal-Mart. With both set to battle, the Rs 14,00,000-crore retail market will never be the same again. But how will the retail wars play out?

Sunil Bharti Mittal

Mukesh Ambani



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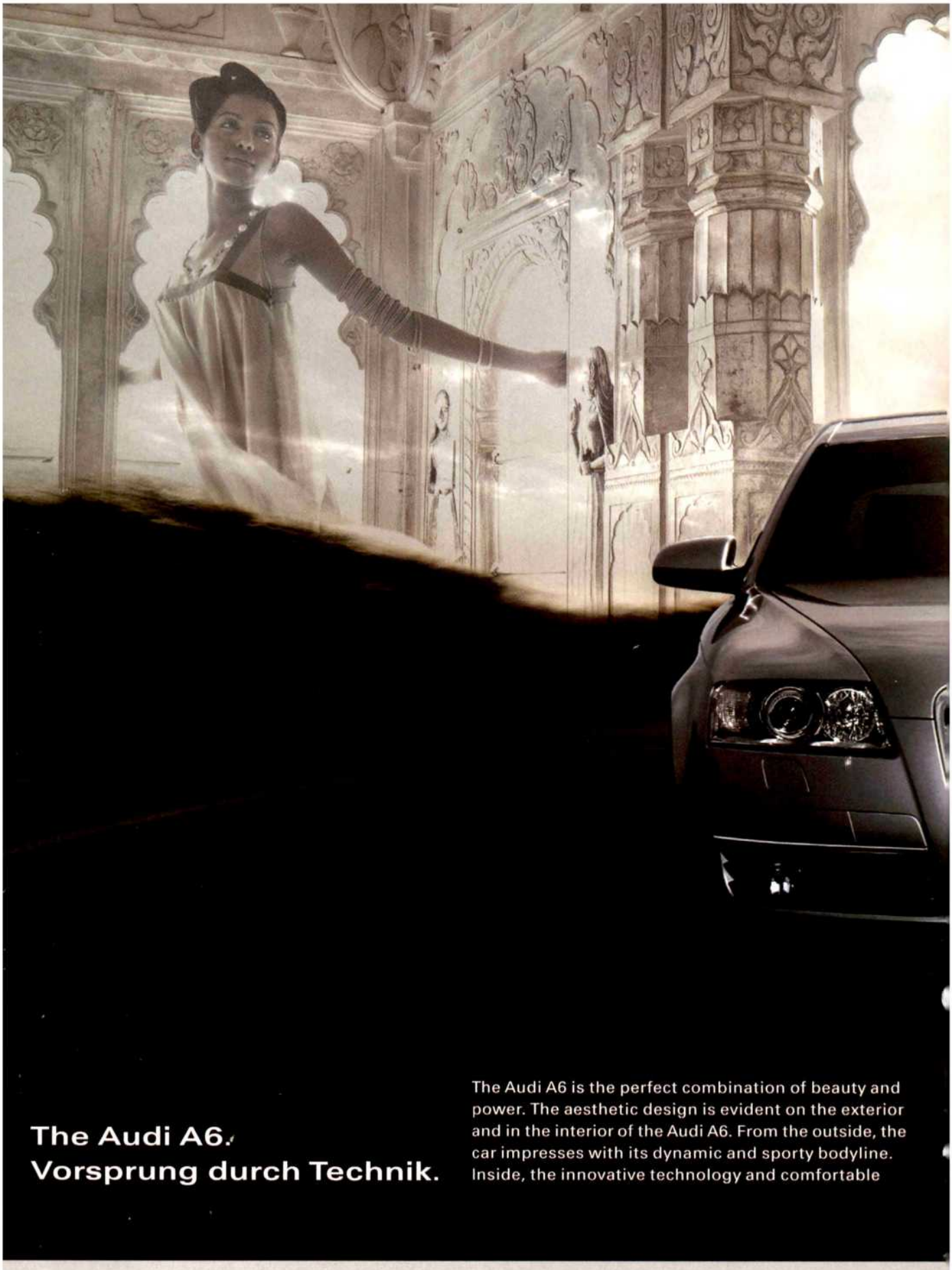

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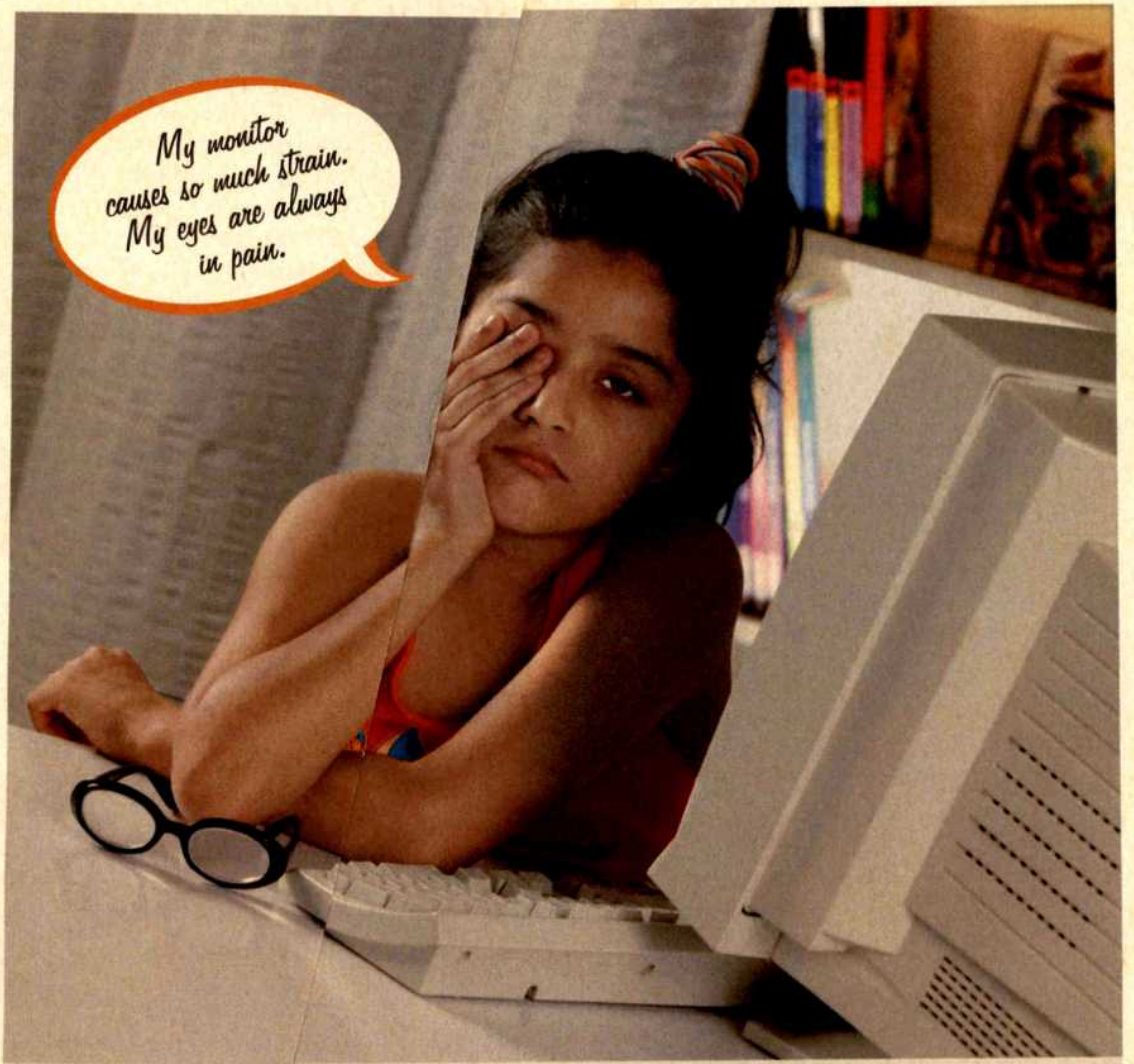

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From The Editor

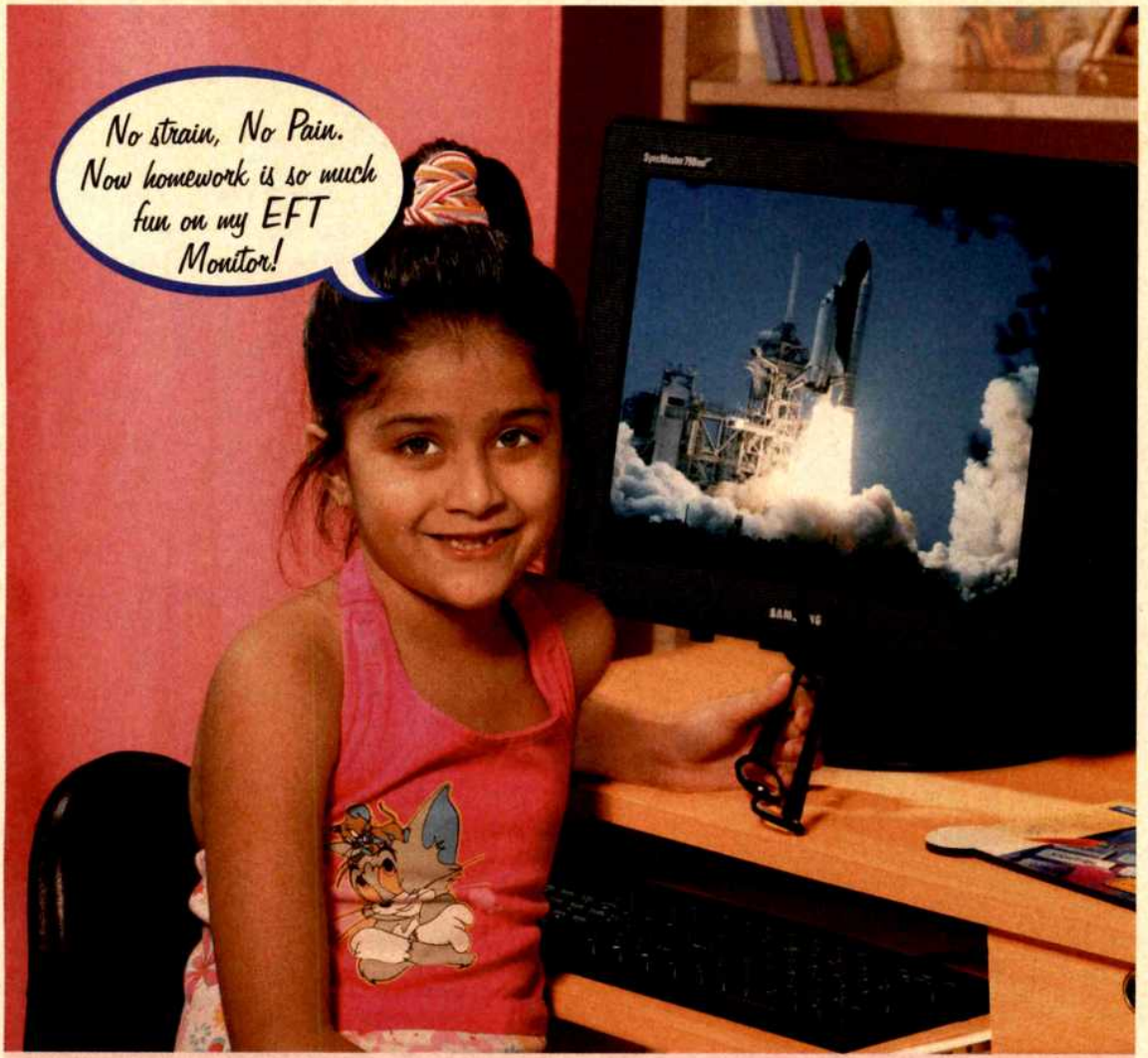
THERE ARE FEW DOUBTS THAT ORGANISED RETAILING will be one of the most action-filled businesses in India over the next few years. And while first-movers like the Tatas, Kishore Biyani of the Future Group and Sanjiv Goenka of RPG Enterprises, to name a few, have already established retail networks of varying scales, the real boom in organised retailing is around the corner. The potential is huge. After all, of the estimated Rs 14,40,000-crore market for retailed goods, a piffling 3 per cent or so is the share belongs to organised players. No wonder then that Indian entrepreneurs have queued up to get a piece of the unfolding action. But the big news was the announcement late last month that retailing's 800-pound gorilla, Wal-Mart, is coming to India via a joint venture with Sunil Mittal's Bharti Group. Wal-Mart, with worldwide sales of $312 billion (Rs 14,04,000 crore), is both feared and admired and its entry, which will be closely watched, could well change the face of retailing here. What would be more interesting to watch would be Wal-Mart's face-off with another new entrant, India's Reliance Industries, which, helmed by Mukesh Ambani, has already unveiled a massive retailing venture that will invest Rs 25,000 crore. In many ways, Reliance is trying to do what Wal-Mart does the world over—establish a large-scale retail network with an integrated supply chain that gives it huge clout with suppliers and a high degree of efficiency that results in low prices for its customers. Our cover story by Managing Editor R. Sridharan and Assistant Editor Krishna Gopalan looks at just how the battle between Reliance, which wants to be India's Wal-Mart, and the Bharti-Wal-Mart joint venture could pan out and what impact these two players could have on the market and the plans and ambitions of Indian retail's other wannabes.

The *BT* Special in this issue is on another growing field—that of microfinance, where a widening gap in supply and demand for small-ticket credit has created opportunities for lenders who can adapt to such needs. Our report, *Money that Mends* (page 149) by *BT* writers, E. Kumar Sharma and Kapil Bajaj, looks at the emerging trends in microfinance and the need for a regulatory framework that is fair to borrowers and lenders.

It's common knowledge that one of the prime reasons why India's stock markets are booming is investments by foreign institutional investors, who have pumped in over $49 billion (Rs 2.20 lakh crore) since 1992 when the bourses were opened up to them. But who are the major players and what are their strategies? *BT*'s Mahesh Nayak gives you a ringside view in *The FII Goliaths on Dalal Street* (page 114).

Sanjoy Narayan

SANJOY NARAYAN



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Flying High

THE INDIAN AVIATION INDUSTRY is growing at a rapid pace, thanks to air transport deregulation, emergence of new operators, lower fares and large untapped demand for air travel. The numbers tell an interesting story: India will require an estimated 1,100 aircraft. The average annual passenger traffic growth in India through 2025 is estimated at 7.7 per cent, well above the world average of 4.8 per cent and China's 7.2 per cent.

Bars of Gold

THE GLOBAL GOLD INDUSTRY IS flourishing, largely fuelled by Asian demand and a weak US dollar. The boom is probably only halfway through since prices bottomed out in 2000. Since 1800, the boom and bust cycles have averaged about 10 years. While production is down, the value of gold purchased today is up 47 per cent from a year ago. The super-cycle of high metal prices is seen to be spurred largely by demand from China and India. An analysis.

Global Glut

JUST-IN-TIME INVENTORIES ARE turning into just-too-much at companies around the world; they may become a drag on global economic growth. Companies may idle workers and production lines to clear out the excess. Factory inventories rose faster than sales last quarter for the first time since 2001, according to economists. This time, companies have been caught by the slump in the US housing industry and the mid-year run-up in energy prices that undercut demand.

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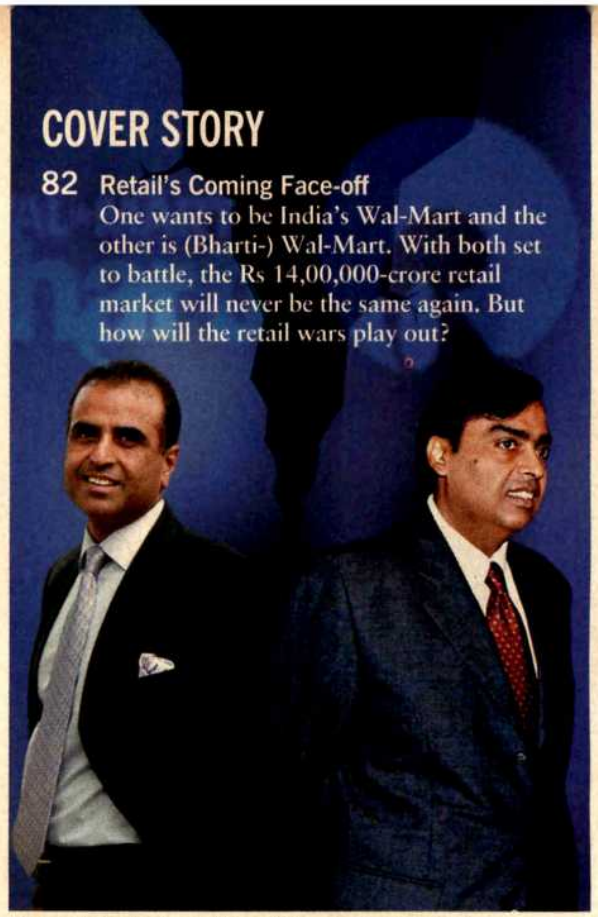

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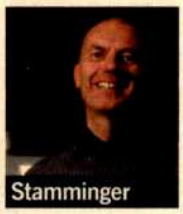
Stamminger

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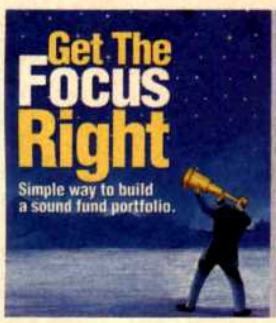

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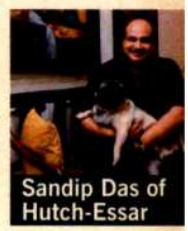
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BEST LETTER

Change of Guard

YOUR COVER STORY, *WHO'S NEXT?* (*BT*, December 17, 2006), sheds light on the likely successors in top companies. What is comforting is that the retirement of the present incumbents is not going to leave a void as people are being groomed for the top jobs. Even at private sector companies, the new generation that will inherit the business seems to have world class credentials. The Ambani brothers are an example. They have proved themselves to be a chip off the old block.

C.V. ARAVIND, *through e-mail*

Best letter wins a HIDESIGN travel bag *from* JK PAPER LTD. *Creating lasting impressions*

A Must Read

ON ALL ACCOUNTS, *BT* IS A 'MUST read' magazine. I was recently reading your December 3 issue; the articles were so well researched and informative that I couldn't leave the magazine half-way. Your editorial *Natural Allies* on India-US relations was pragmatic. Similarly, the cover story on our top businessmen acquiring units in advanced countries was succinct.

C.K. SARDANA, *through e-mail*

Time for Realty Check

IN INDIA, WE SUFFER FROM HERD mentality. Whenever something succeeds we blindly follow it. In your special on real estate (Dec. 17, 2006), you have rightly pointed out that new builders face a tough situation given the shortage of manpower and machinery. So, investors must check the background of builders, their project execution capacity and title deed before committing money.

BAL GOVIND, *through e-mail*

India Inc.'s Global Giants

INDIA INC.'S NEW MNCS (DECEMBER 3) sheds light on a new breed of Indian MNCs. The high standard of competitiveness that India Inc. has achieved, and the desire to further strenghen it, is the reason behind the growing appetite for global takeovers by companies in the country.

D. BIKRAM SINGH, *through e-mail*

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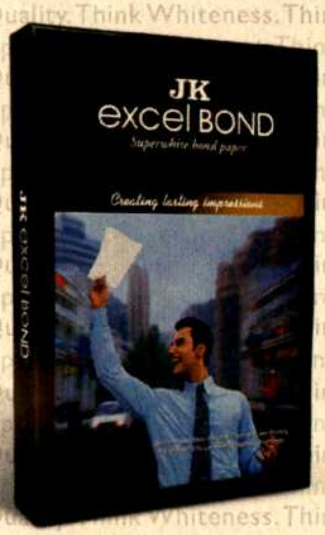

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The Lure of Retail

A. PRABHAKAR RAO

Retail's new face: A Reliance Fresh outlet

IN MAY THIS YEAR, *BUSINESS TODAY* RAN A SURVEY OF THE retail industry stating that Rs 54,000 crore could be invested in organised retail. Even six months ago, that seemed like a big number. As it turns out, we were wrong: Just three big groups—comprising Reliance Industries, the Bharti-Wal-Mart combine, and the Aditya Birla Group—have lined up investments in excess of that figure. Then, there are others like the Hero Group that are talking of getting into organised retail. Needless to say, the existing retailers have their own investment plans. That leads to two questions: Why is everyone so interested in organised retail, and is too much money coming into the industry?

Let's start by answering the first question. Conceptually, retail is a strategic industry. It's the point where supply and demand converge. Anyone who controls this point—even in any significant way—can become a decisive force in the economy. The best-known example of this is, of course, Wal-Mart. Although the retailer has just 8 per cent share of the American retail market, it's perhaps the most important entity from the average consumer's point of view. Because of its colossal clout with suppliers, Wal-Mart is able to squeeze better rates for consumer goods and force manufacturers to keep prices down. Suppliers may hate Wal-Mart for it, but the fact is the world's largest retailer has helped keep inflation down in the US.

But the bigger reason why companies are so interested in organised retail is the sheer size of the opportunity. Less than 3 per cent of the retail market is with the organised sector. In categories like food and groceries, the unorganised sector has three-fourths of the market and organised retail penetration is just 1 per cent, according to a recent CII-A.T. Kearney report on the sector. Then, there are several categories—say, home improvement, home furnishings or toys—where organised retail has almost no presence. The fact that so much of retail in India takes place in the unorganised sector answers the question of whether too much money is flowing into organised retail. The answer is, No. When a car manufacturer or a cement manufacturer invests money in his industry, he is creating additional capacity and, therefore, must worry about either taking market share away from an existing player or creating a new segment of consumers. In the case of organised retail, there's no such problem. No fresh demand needs to be created; it already exists. The only challenge is to pull consumers away from *kirana* stores, or road-side hawkers or neighbourhood markets into cleaner and better laid out shopping environments. Indeed, when an organised retailer goes down, it's not because there was no demand; it's usually because the retailer wasn't efficient enough to give consumers a better value proposition. And that's what India's retailer wannabes need to worry about.

Handle with Care

HEMANT CHAWLA

A done deal: But India needs to draw up an action plan

THE RECENT CHANGES IN US NUCLEAR LAWS WILL open the nuclear floodgates in the power generation business after more than a quarter of a century. Access to technology and fuel will flow not only from the US, but also from 45 other countries that possess these aspects of the business. But that in itself will not suffice. The Indian government needs to draw up an action plan to regulate this flow. India represents a huge market—power shortages are rampant (around 7 per cent) and the economy is growing at a robust rate of 8 per cent per annum. Exercising market power will

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mean hard bargaining with equipment and fuel suppliers. Bottom line: Not only must the economics of nuclear power prevail, energy security concerns must also be resolved. Here's why:

One of the main reasons nuclear power is raising its head globally is its low fuel cost compared to alternate fuels like coal and gas. However, given the demand for nuclear power, especially in developed countries, it will only be a matter of time before the gains are neutralised. Uranium prices have already risen several fold over the last few years. Hence, key to a sustainable nuclear power programme is the need to ensure control over fuel as well as equipment supply.

Here, the fear of a replay of the oil story over the last few years looms large. Oil prices have risen threefold over the last four years. And, the state's record in securing oil acreages abroad to insulate against rising prices, has been dismal. One key reason: The Chinese moved faster and more effectively than the Indians (and continue to do so). Now, in the nuke business, China is adding 10,000 MW of capacity every year, as against India's programme of 6,000 MW in five years. Hence, we need to revisit the capacity addition programme. On the equipment side, the Chinese are evidently developing industrial production capacity, which will reduce capital costs over time—this is possible given the size of their programme. We need to do the same.

Lastly, safety of nuclear plants is best ensured by wider scrutiny. The European experience is noteworthy—most of the nuclear plants in Europe are listed on the bourses and safety-related decommissioning costs are part of the disclosures. Clearly, there are opportunities that need to be converted. Any less, we will not be able to effectively benefit from the power of the atom.

Cricket's Blessing: There is no Alternative

ESPN-STAR (ESS) HAS BAGGED THE rights to telecast all International Cricket Council (ICC) events between 2008 and 2015. The price: $1.1 billion (Rs 4,950 crore). Of this, the Indian market alone is expected to generate more than $800 million (Rs 3,600 crore) or almost 75 per cent of the total. That India is the engine that drives the world's cricket-related economy is old hat. What isn't is the propensity of the Indian cricket team to plumb new depths with every match. But contrary to speculation, this, apparently, has not affected its market value—or its worth to marketers and viewers. Why?

Dismal show: But big money

Quite simply, cricket is benefiting, by default, from the TINA (there is no alternative) factor. Where else can marketers hoping to crack, or stay in, the Indian market go? No other sport even comes close to cricket in popularity and star appeal. If the cricket team's performance has been abysmal, the recent record of other sports is even worse. Almost as if it to prove that there is no such thing as an "absolute" nadir in Indian sports, the Indian hockey team, representatives of the country's "national" game, failed to reach the semi-finals of the Asian Games at Doha, for the first time in the history of the games. And the less said about Indian football the better.

Yes, there have been a few success stories in individual sports—tennis, shooting, long jumping and golf—but these so-called "success stories" are really successful only by India's abysmal standards. Sania Mirza, who, last year, showed some promise of becoming the first Indian woman to enter the top 20 Association of Tennis Professionals (ATP) rankings, only flattered to deceive. And Anju Bobby George, Rajyavardhan Rathore and Jeev Milkha Singh, despite their valiant efforts and outstanding performances, don't really count as stars in any international pecking order.

And this is where cricket scores. It rides on the backs of individuals who can genuinely be world beaters on their day (never mind that such days haven't been much in evidence in recent times). Sachin Tendulkar, Virender Sehwag and Rahul Dravid—and even the younger lot comprising Yuvraj Singh, Irfan Pathan and Mohammad Kaif—all have solid achievements behind them; and marketers must be hoping that they're, collectively, just one match away from regaining their past glory.

But this also presents other sports with a chance. Rather than criticise India Inc. and the lay viewer for worshipping cricket and cricketers to the exclusion of all other sports, they should put their own houses in order and posit themselves as viable alternatives. The poor form of the Indian cricket team has presented them with a window of opportunity. It's now up to them to capitalise on it. ■

Trends

Rushing Into Defence

Private sector participation can add 2 per cent to India's GDP growth. SHIVANI LATH

Prithvi launch: Next, private rollout?

INDIA INC IS BETTING BIG ON defence. Larsen & Toubro (L&T), Tata Power, the Kalyani Group and the Mahindras, among others, are setting up new companies or joint ventures with foreign companies to grab a share of the pie. At stake: orders worth an estimated Rs 17,000 crore a year to start with. The government, which opened up the sector in 2002, has been slow in awarding contracts to the private sector, but the players believe that there is now a perceptible change in its mindset. As a result, private sector participation, which has been limited to the manufacture of nuts and bolts, spares and washers, is now moving towards platform development.

Says M.V. Kotwal, Member of the Board and Senior Executive Vice President, L&T's Heavy Engineering Division, which has developed prototypes for various Defence Research and Development Organisation (DRDO) projects and recently secured a Rs 172-crore order for Pinaka multi-barreled rocket-launchers: "This is the first major production order placed with a private sector company and we hope it will be a forerunner to many more to come."

L&T, Tata Power and Mahindra Defence Systems have applied for Raksha Udyog Ratna (RUR) status, which will allow them to be treated at par with Defence Public Sector Undertakings (DPSUs) and Ordnance Factories (OFs) in the allotment of defence contracts and level the playing field vis-à-vis preferential taxes and duties enjoyed by the latter. "The RUR status will make us approved suppliers, give us access to technology from DRDO

INSTANTIP

The fortnight's burning question.

WILL THE ENTRY OF WAL-MART REALLY SPELL DOOM FOR INDIAN RETAIL?

Yes. Nilotpal Basu, MP, CPI(M)
This is a blatant back-door entry for foreign players into the Indian retail sector and will grant monopoly status to big retailers. But regulations specify that there is no scope for foreign investment. We think that there is room for a retail regulator.

No. Rajiv Kumar, Director & CEO, ICRIER
It's high time retail took off in India. The government should frame regulations to protect smaller players, while at the same time allowing big international players to enter through the front door.

Yes. Kishore Biyani, MD Pantaloon Retail
There are few large countries where a foreign retailer has a dominant presence. And the adverse impact of Wal-Mart on local communities and small manufacturers is well documented. Large MNC retailers are bound to indulge in predatory pricing and that can be quite detrimental to small, local retailers.

COMPILED BY AMAN MALIK

THE EARLY BIRDS

These companies have already moved into the defence production sector.

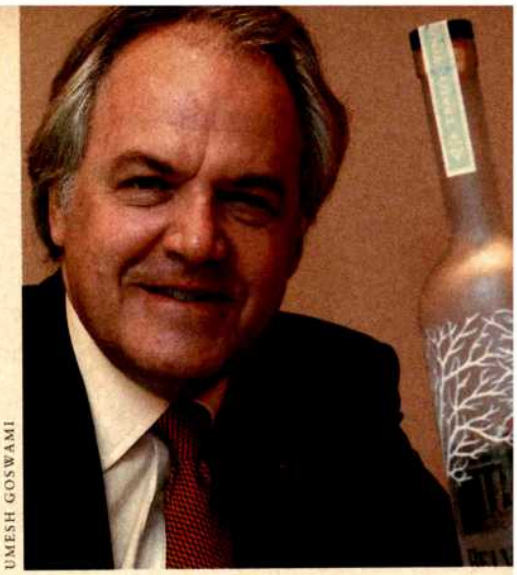
COMPANIES	CAPABILITIES
L&T	Proposes to design and manufacture weapon platforms, weapon launchers, small arms, anti-tank weapons, rockets, torpedoes and mines.
Tata Power	Prime contractor to the Ministry of Defence for the design, development, manufacture, assembly and upgrade of systems in seven core areas of defence.
Mahindra Defence Systems	Manufacture of light armoured multi-role vehicles and high mobility military vehicles.
Kalyani Group	Has a JV with Singapore Technologies Kinetics for design, integration, manufacture and life cycle management of defence equipment.
Godrej PCS	Provided inputs for the BrahMos, the world's first and only supersonic missile.
Ashok Leyland	Manufacture of light armoured vehicles.
Tata Motors	Manufacture of light armoured vehicles, heavy tank transporters, shelters and containers, special attack and surveillance vehicles, tactical floating bridges and ferries etc

allow us to take part in the primary manufacturing process," explains Brigadier (Retd.) Khutub Hai, Chief Executive, Mahindra Defence Systems. Meanwhile, last fortnight, Tata Power's Strategic Electronics Division (SED) received seven defence production licences for electronic warfare, naval combat and air defence systems. These licences will make Tata Power a prime contractor to the Ministry of Defence for the design, development, manufacture, assembly and upgrade of systems. "Over the next five years, these licences will open up a domestic addressable market of over Rs 20,000 crore for Tata Power SED," says Rahul Chaudhry, CEO of the company, which will also look at opportunities in the systems design, engineering and testing spaces. "This will also open up the export market."

The move to allow private companies to participate in defence production follows the recommendations of the Vijay Kelkar Committee and the constitutional amendment to this effect in 2001. The Ordnance Factory Board and eight DPSUs—Bharat Electronics, Bharat Earth Movers, Mazagon Dockyards, Garden Reach Shipbuilders and Engineers, Goa Shipyard, Bharat Dynamics, Mishra Dhatu Nigam (Midhani) and Hindustan Aeronautics, which make fighter jets, helicopters, state of the art electronics systems, heavy trucks and tank transportation trailers, submarines, missile boats, destroyers, frigates, corvettes, fast attack craft, guided missiles and avionics—will soon face some serious competition.

"If the government allows private players to develop the equipment it spends billions of dollars importing, it will add an incremental 2 per cent to the country's growth rate," says a senior executive in a private sector company. The entry of the Indian private sector into defence production will also diminish the role of intermediaries and foreign firms and possibly reduce corruption in military purchases.

So, will defence production become the next big thing for India Inc? The early signs are encouraging.



UMESH GOSWAMI

Q&A

"Huge Potential for Belvedere"

CHRISTOPHE NAVARRE, CHAIRMAN and CEO, *Moët Hennessy LVMH Wines & Spirits, made a pit-stop in Mumbai last week.* BT's **Deepti Khanna Bose** *spoke to him about his plans for the country. Excerpts:*

How is Moët Hennessy doing in India?

We have been here since 1997 and India has proved to be a very good market for us. Of course, there is this issue of taxes on liquor—it's the highest in the world—but we hope it will decline. That will give us the opportunity to bring in more of our brands. We think there is huge potential for Belvedere, the brand that created the super-premium vodka category in the United States, in India. Right now, Dom Perignon is doing very well in Delhi and Mumbai, as are Moët & Chandon and Glenn Morangie.

How do you promote and create awareness about your brands in India?

Our prime focus is through public relations and viral marketing, and that's our strategy globally—given the advertising constraints—not just in India.

How are you doing in China?

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Where Will this Bull Run End?

WILL THE SENSEX HIT 18,000-20,000 within one year as is being speculated in some quarters? It took barely 26 trading sessions for the benchmark BSE Sensex to rise 1,000 points from 13,000 to 14,000. "It's sheer liquidity pressure that has been driving market northwards," says Ambareesh Baliga, Vice President, Karvy Stock broking.

The sustained inflow from foreign institutional investors (FIIs), especially new entrants who invested mainly in index stocks, is the primary reason for the one-way movement of the Sensex. Between October 30 and December 5, FIIs invested over $1.6 billion (Rs 7,200 crore) in the market. During the same period, the Securities and Exchange Board of India (SEBI) registered 20 new FIIs.

"It's an overvalued market, but so long as liquidity remains this way, one can't really say how high the Sensex will zoom. In such a scenario, fundamentals go for a toss. No one had expected the Sensex to surge 60 per cent from the June low of 8,800," says Baliga. "It's no longer a buyer's market; it's a trader's market. The Sensex is trading at 15 per cent over its fair value based on 2006-07 earnings and 5 per cent over its 2007-08 earnings."

Despite this, the market is rocketing higher on the back of impressive corporate performances that continue to surprise the market. "Beyond a point, liquidity can't drive the market. The only trigger for this market to sustain itself at these levels is corporate performance. If it beats streets expectations, valuations will change; otherwise, fundamentals will come into play and the market will get aligned with valuations," says Nilesh Shah, CIO, Prudential ICICI AMC, who feels that at the current level, there are more chances of a fall in prices than a rise. "At 17-18 times forward earnings, the market is costly; the Sensex will move in the range of 12,500-15,000. But despite valuations running ahead of time, the fundamentals are still intact. So, the long-term bull run is certainly not over yet," he adds.

MAHESH NAYAK

INDIA AMONG THE TOP 5 MARKETS IN ASIA BY M-CAP

ASIAN TOP 10

MARKET CAP	($ BN)
1. Japan	4,859
2. Hong Kong	1,866
3. **India**	**810**
3. South Korea	810
5. China	781
6. Taiwan	639
7. Singapore	348
8. Malaysia	232
9. Thailand	151
10. Indonesia	134

WORLD TOP 20

MARKET CAP	($ BN)	MARKET CAP	($ BN)
1. United States	17,363	11. Spain	950
2. Japan	4,859	12. Australia	912
3. United Kingdom	3,747	**13. India**	**810**
4. France	2,442	13. South Korea	810
5. Hong Kong	1,866	15. China	781
6. Germany	1,708	16. Brazil	682
7. Canada	1,484	17. Taiwan	639
8. Switzerland	1,188	18. Sweden	564
9. Italy	1,059	19. The Netherlands	486
10. Russia	1,017	20. Belgium	371

All figures as on 7 December 2006 Source: Bloomberg

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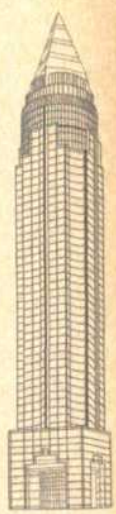

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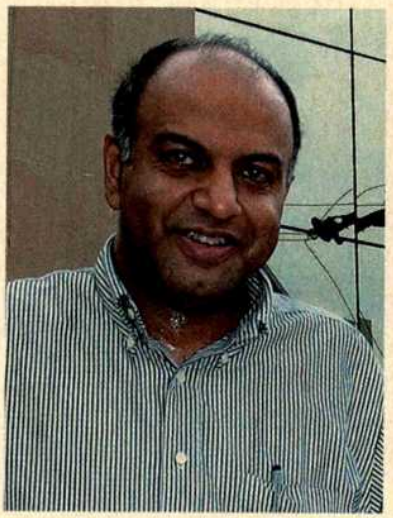
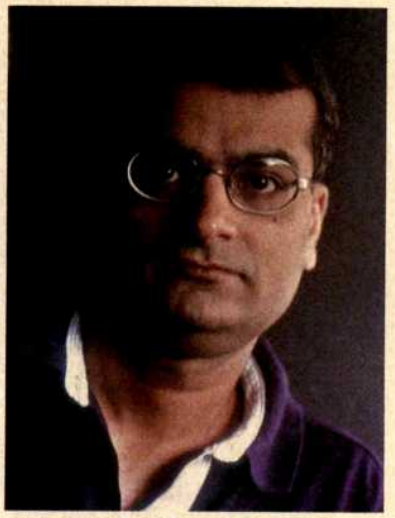
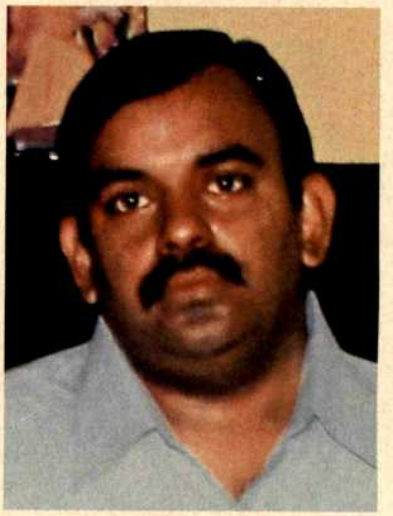
IIM-A's Class of Entrepreneurs







RITESH SHARMA

(L to R) Sanjeev Bikhchandani, Rashesh Shah and R. Subramanian; So far, the first two have struck it rich

R. SUBRAMANIAN OF SUBHIKSHA has no clue about what inspired his batch from IIM Ahmedabad to become so entrepreneurial. Other than Subramanian, whose Subhiksha retail stores are popping up across the country well before the big boys' IIM-A's Class of 1989 includes Sanjeev Bikhchandani of InfoEdge (which operates Naukri.com) which recently went public in a blockbuster initial public offering (IPO) and Rashesh Shah of Edelweiss Capital which was recently valued at $500 million (Rs 2,250 crore) when the Government of Singapore Investment Corporation (GIC) and Galleon, a New York-based hedge fund, bought a 20 per cent stake in the company for $100 million (Rs 450 crore). Two members of this triad have brought in outside investors into their companies. Will the third follow in their steps? Subramanian avoids a direct answer. But market is rife with rumours of an impending IPO, or even an outright sale, most likely to Reliance (See *Retail's Coming Face-off*, Page 82)

But Subramanian is more comfortable talking of his batch. "I don't know what it was about us," says Subramanian, "I guess we all just wanted to do our own thing and, I think, have all fed off each others' success." Adds Shah: "It helps if others in your batch are also entrepreneurs, Subra (Subramanian), Bichhu (Bikhchndani) and I saw each other do well and that helped."

Of course, the opportunity cost of turning entrepreneur wasn't as high as it is today. Salaries, which seem to be defying the earth's escape velocity today, were modest back then. "When we started out, there was almost no career penalty if you decided to turn entrepreneur. You had very little to lose," Bikhchandani says. "My first job at Citibank after IIM-A paid me Rs 5,000 a month; it was very easy to chuck the job and decide to start something from a garage," says Subramanian. Shah agrees: "I worked with ICICI and was paid around Rs 3,000 a month—not a lot even by the standards of those days," he chuckles.

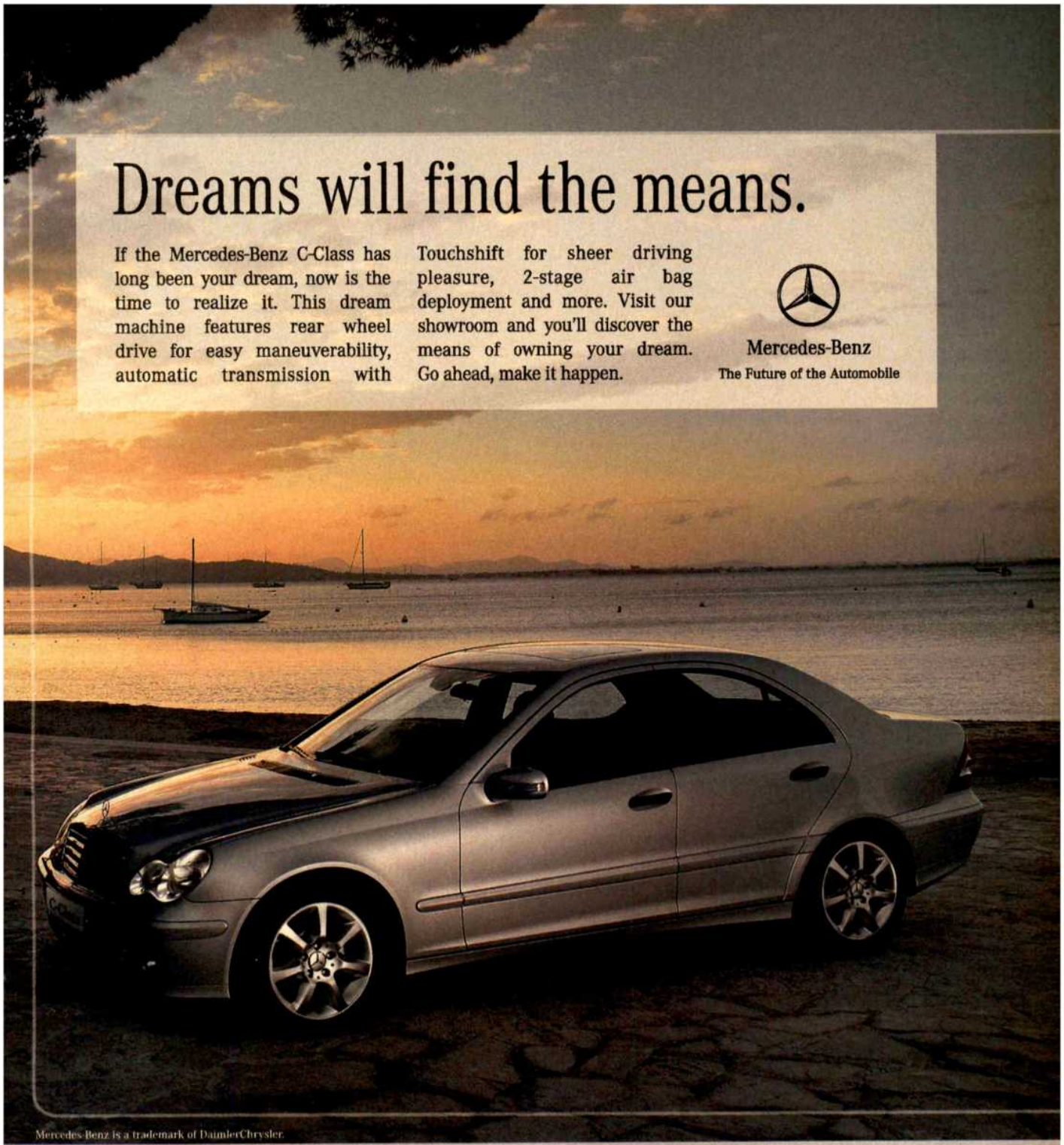
All three men consider themselves extremely fortunate to have graduated when they did. "Economic liberalisation began soon after we graduated and that made it an opportune time to turn entrepreneur," says Subramanian. "You also have to keep in mind that when we graduated, the stock exchanges were in the middle of their first major upswing," Shah points out.

Were they a special batch? "Every batch is special," says Shah, "but in a way, we were probably more entrepreneurial than others." Subramanian is a lot more assertive. "I don't know what it was, but our batch was special. Look at other contemporary batches around us; they had the same advantages that we had, but look at where we are," he says with a hint of pride.

How come all three have or a looking to raise funds for their respective companies? "You need people and capital to expand. I'm sure it's just a coincidence that all of us are raising funds around the same time," says Shah.

Bikhchandani and Shah have already been there and done that on this count. The question remains: will the third element of their triad follow suit?

KUSHAN MITRA



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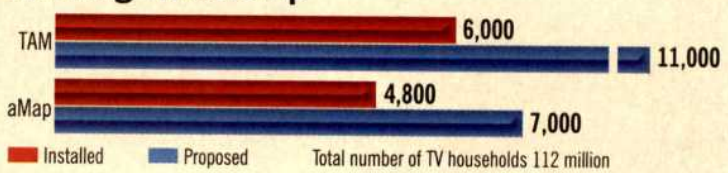
YUSUF KHAN

Tracking Viewership



IS ONE COMMON CURRENCY FOR MEDIA CONSUMPTION RESEARCH A better idea or do divergent tools present a better picture of media consumption habits of consumers? In the television space, Audience Measurement and Analytics, or aMap, is seeking to counter the "inefficiency" of incumbent, Television Audience Measurement (TAM).

aMap, in fact, was launched two years ago; the agency sought to provide a more relevant and in-depth analysis of data captured over a wider range. There was, and is, a section of media owners and buyers that is unhappy with TAM. "TAM has three problems—a small number of peoplemeters (4,800) to measure the viewing habits of 112 million TV households, under-representation of certain SEC demographics and no representation of rural audiences," says Meenakshi Madhvani, MD, Spatial Access, a media audit agency.

aMap took the initiative to address these issues, but hasn't found an overwhelming response from the clients. It has installed 6,000 peoplemeters in Delhi, Mumbai and Ahmedabad and proposes to increase the number to 11,000; its meters are digital and, hence, generate data overnight unlike TAM's meters that churn out data after a week. "Ours is a more efficient system and also, has a better representation across socio-economic demographics," says Tapan Pal, CEO, aMap.

Yet, the total number of clients that aMap has been able to win in the past two years is a mere 10 against the entire universe that TAM serves. Madhvani says even if aMap is not able to garner much client support, it will at least force the incumbent to pull up its socks. But the latter finds the debate futile. "Every one wants more and better data, but nobody wants to spend any resources on it," says L.V. Krishnan, CEO, TAM Media Research. Or is it that everyone hankers for change but prefers *status quo*, especially when it suits them better?

ARCHNA SHUKLA

MOBILE MAKERS REACH OUT

MOBILE HANDSET MAJOR NOKIA IS considering microfinancing its entry-level handsets to generate greater penetration. A company spokesperson declined to share further details but confirmed that the proposal is, indeed, being discussed internally. Motorola, too, has a similar scheme. It tied up with GE Money late last year to offer zero per cent finance on its mobiles, and Samsung also is toying with the idea. About 60 per cent of handsets sales come from first-time users; so, handset makers are looking at this market very seriously.

"Today, communications is about selling a story which goes beyond just explaining features," says Lloyd Mathias, Director, Marketing, Mobile Devices, Motorola India. The company witnessed a surge in sales after it tied up with Bharti TeleTech last year for nationwide distribution of its handsets. It has also tied up with Hariyali Kisan Bazar and ITC's e-choupal to penetrate deeper into the mass market.

Samsung, too, is "investing aggressively on brand building through advertising and retail marketing initiatives," says Asim Warsi, Head, Marketing, Samsung India. It is also looking at ways to reach out to consumers, that go beyond just financing the handsets. "We will create an entirely new channel based on the media through which the people buy," claims Warsi, but declines to divulge details. "The strategy will be unveiled in the first quarter of the next calendar year."

SHALEEN AGRAWAL

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Big Brother Wants to Control Net Access

THE GOVERNMENT IS ACQUIRING ADVANCED TOOLS TO help control what you can and cannot see online. Are we in danger of becoming another China? Recently, the Bombay High Court admitted a petition from some noble soul who wanted the government to block access to Google's social networking service Orkut because some people had set up an "I Hate India" group online. Not so long ago, some over-enthusiastic bureaucrats in the central government went a step further and told India's Internet Service Providers to block access to most large blog domains leading to a blanket ban on popular blogging sites such as Blogspot and WordPress. Now, the government has acquired a new technology that will allow it to block sub-domains—which means instead of blocking Blogspot, it will be able to block a particular sub-domain of Blogspot. So, if some politician or minister doesn't like what someone has written on a blog (for example, if someone questions the government's decision to take such a patently idiotic step) he can have access to that blog blocked. Kiruba Shankar, a Chennai-based blogger, describes it simply: "It's stupid." But the point is: do the powers that be realise that?

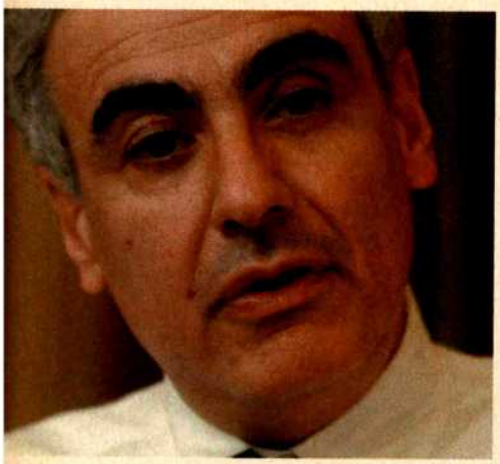
KUSHAN MITRA

WHAT YOU CAN DO IF YOUR FAVOURITE BLOG IS BLOCKED

- **Use a Proxy Site:** In Pakistan, when the good General banned access to certain blogs, a site, www.pkblogs.com, sprang up that allowed people to access the banned sites. There are several other sites, but if we mention them here, the government might ban them!
- **Use a Feed-reader:** Most blogs have an associated syndication (RSS) feed; subscribe to the feed through a third party internet site; there are several of these—to read content there.
- **Use Google's cache of that particular site:** It's not the most effective way, but it works.
- **Raise a hullabaloo:** This, too, works. After three days of roasting all over the world for its silly decision to ban access to blogs last time, the government caved in.

Q&A

"We Want to Invest $1 Billion in India"



MARC LASRY, *FOUNDER AND Managing Partner of Avenue Capital Group, a private equity and distressed debt fund, was in India last fortnight as part of former* US *president Bill Clinton's entourage. He spoke to* BT's **Shalini S. Dagar** *on Avenue's plans for India. Excerpts:*

Avenue's speciality is managing distressed assets. What are the specific skills that you bring to India?

In the US, our focus is on distressed assets, but outside the US, our focus is on "special situations" and on investing in good companies. The key difference between us and other private equity firms is that we understand debt and can work in multiple parts of the capital structure.

What are your investment plans for India?

Avenue manages assets valued at approximately $12 billion (Rs 54,000 crore) globally. We want to invest around $1 billion (Rs 4,500 crore) in India over the next few years. Our investment sizes can range from $5-10 million (Rs 22.5-45 crore) to $300-350 million (Rs 1,350-1,575 crore). We made our first investment in India earlier this year in Dr Naresh Trehan's Medicity Project. A second is underway in GPI Textiles.

Is the optimism about India a little ahead of the times?

No. The opportunity is quite real given the accelerating GDP. The high single-digit economic growth is three or four times that of many other countries. The challenge is to sustain it going forward.

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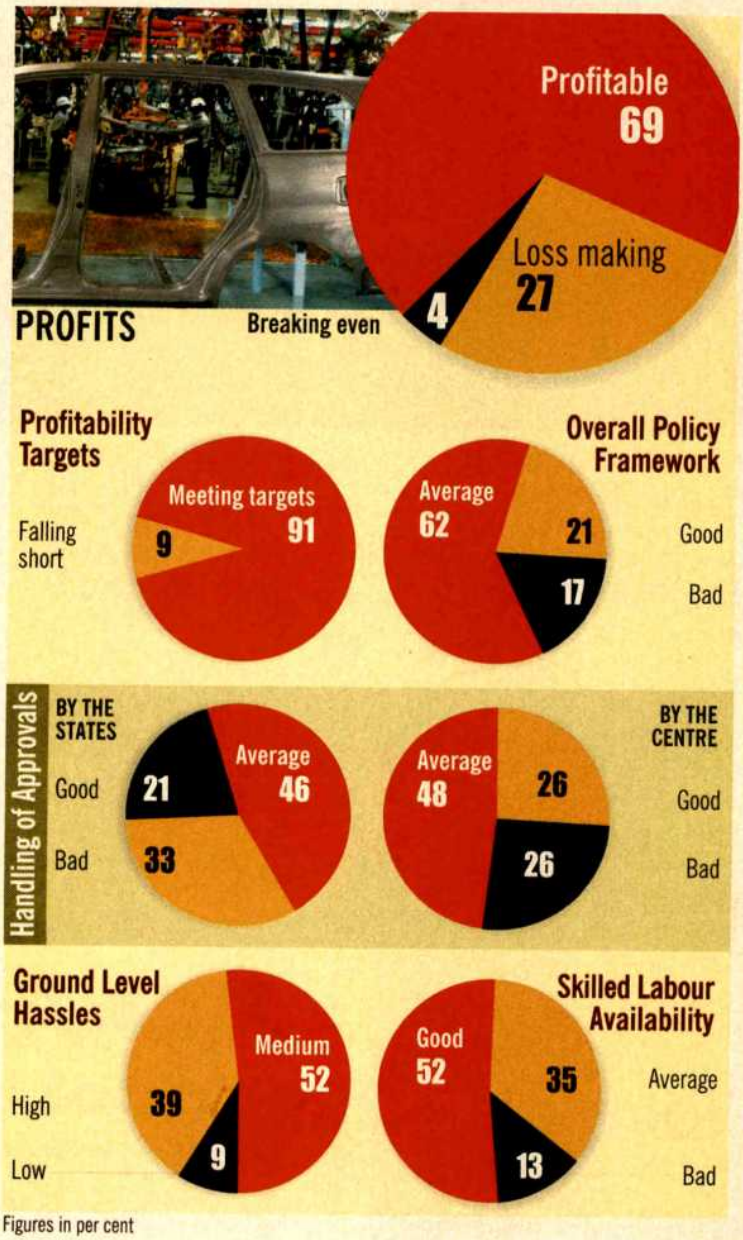
Foreign Investors are Happy

HERE'S CONCRETE EVIDENCE ON WHY FOREIGN INVESTORS ARE FLOCKING to India. An overwhelming 69 per cent of them are making money here. A majority of them are also satisfied with procedural and operational issues in this country. Little wonder then, that 83 per cent, or 5 out of 6 investors, are considering expansion plans. The implication: more foreign direct investment inflows. The Federation of Indian Chambers of Commerce and Industry's (FICCI's) Annual Foreign Direct Investment Survey 2006, covering 76 foreign companies throws up this, and other interesting nuggets of information. Presented below are some of the survey findings:

AMIT MUKHERJEE



PINAKI PAUL

Figures in per cent

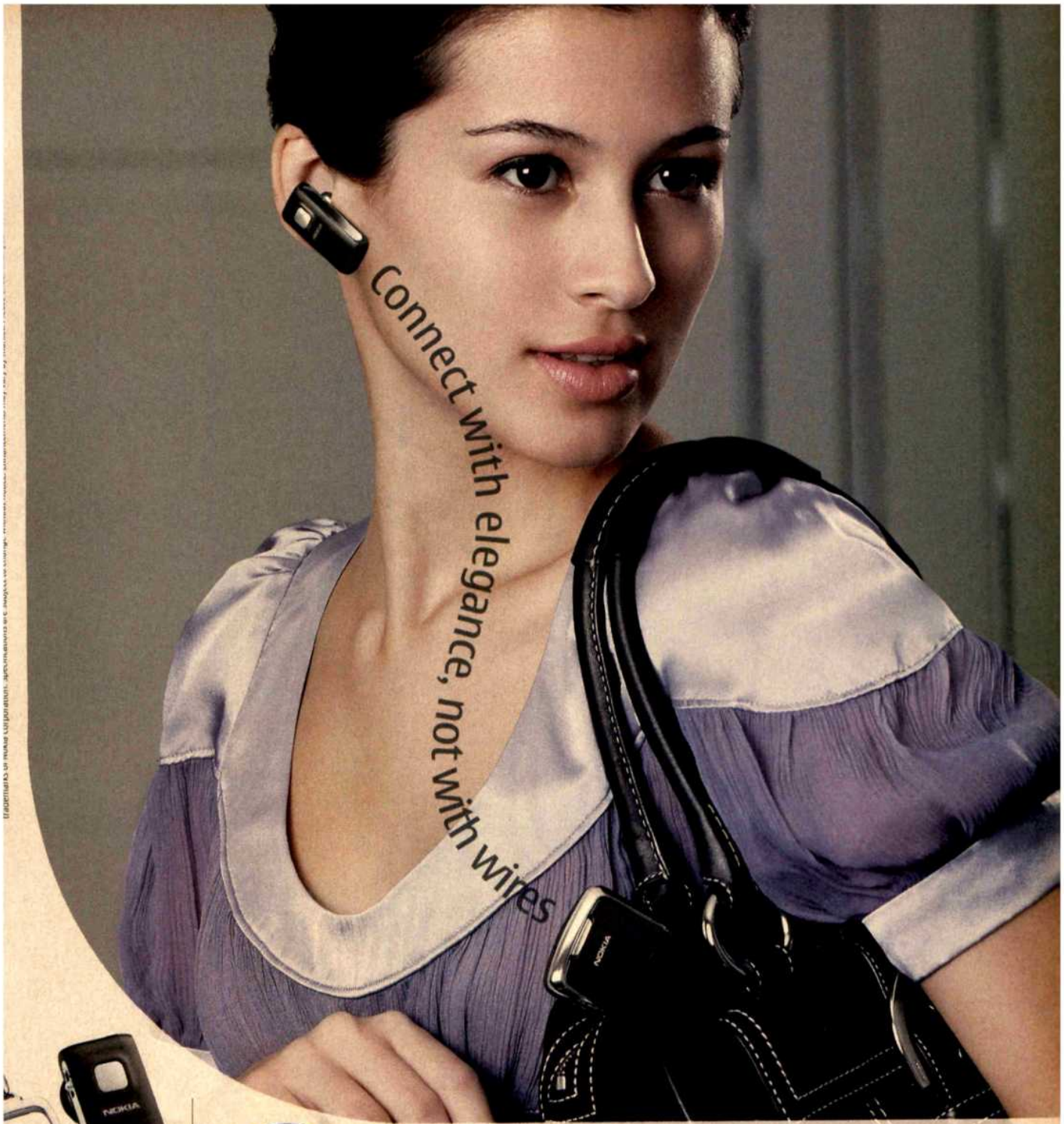
CRICINFO MOVES TO BANGALORE

WANT MORE PROOF THAT INDIA IS THE #1 market for world cricket? Cricinfo, arguably the most trusted resource on the sport, has relocated its global headquarters from London to Bangalore and announced plans of doubling its presence here. "Cricinfo has around 20 million unique online users per annum; of this, 60 per cent are Indians. In addition, the commercial opportunities around cricket in India are substantial," says Tom Gleeson, CEO, Wisden Group, the company that owns Cricinfo. As part of this initiative, Gleeson and several other key executives have relocated to India's IT capital. "India is a crucial market and our relocation here will enable us to build and grow our pres-

ence worldwide across our online, print and mobile platforms," he says, adding: "India is witnessing huge growth in internet, mobile telephony and interactive TV. This is creating growing demand for all types of cricket-related content."

Wisden is looking at opportunities to tap both the Indian market and talent pool. "Hawk-Eye Innovations (a specialist in ball-tracking technology for use in sports broadcasting and officiating, which Cricinfo acquired in June this year), intends to expand its activities in the field of sports technology and it will make sense for us to look at India as a development centre for these activities," he adds.

RAHUL SACHITANAND



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MOST EXPENSIVE CITIES

WORLD

CITY	COUNTRY	2006 RANK	2005 RANK
Harare	Zimbabwe	1	57
Luanda	Angola	2	2
Oslo	Norway	3	1
Moscow	Russia	4	8
Kinshasa	Congo Democratic Republic	5	15
Stavanger	Norway	6	5
Copenhagen	Denmark	7	7
Seoul	South Korea	8	10
Libreville	Gabon	9	12
Tokyo	Japan	10	3

ASIA

CITY	COUNTRY	ASIA RANK '06	WORLD RANK '06
Seoul	South Korea	1	8
Tokyo	Japan	2	10
Yokohama	Japan	3	13
Kobe	Japan	4	20
Hong Kong	Hong Kong	5	79
Taipei	Taiwan	6	88
Port Moresby	Papua New Guinea	7	103
Beijing	China	8	108
Shanghai	China	9	123
Singapore	Singapore	10	132

INDIA

CITY	WORLD RANK 2006	WORLD RANK 2005	ASIA RANK 2006
Mumbai	191	167	26
New Delhi	194	170	28
Chennai	205	*	33
Hyderabad	210	*	34
Kolkata	213	*	36
Pune	214	*	37
Bangalore	220	197	38

* Not surveyed in 2005

Source: ECA International's Cost of Living Survey; The survey covered 250 locations around the world, including over 50 locations in Asia and seven in India. The rankings are based on a basket of 120 goods and services that included groceries, daily produce, meat and fish, fresh fruits and vegetables, drinks and tobacco, services, clothing, electrical goods, motoring and eating out.

LSE FORUM HELD IN DELHI

SAPTARSHI BISWAS

THE THIRD LONDON SCHOOL OF Economics Asia Forum was held in Delhi on December 7 and was attended by more than 600 alumni members from across the globe. Addressing the forum, Prime Minister Manmohan Singh said: "It is essential that the West should come to terms with the consequences of the rise of Asia. Just as the world accommodated the rejuvenation of Europe in the post-War world, it must now accommodate the rise of new Asian economies in the years that lie ahead."

The day-long event was devoted to three broad topics—Reforming Infrastructure; Governing Trade; and Moderating Society. Howard Davies, Director, LSE, announced that Sir Nicholas Stern, Head of the British Economic Service, will become the first holder of the IG Patel Chair at LSE. Patel, who passed away last year, was LSE's ninth director from 1984-90.

PALLAVI SRIVASTAVA

US Social Security Tax: Hope for Indian Pros

PROFESSIONALS IN THE US HAVE TO PAY A SOCIAL security tax of about 22 per cent on their salaries. Indian professionals, who go to that country on short-term H1B visas, also have to pay this levy. But they do not get any benefits or refunds once they return to India as the benefits kick in only after paying the taxes for at least 10 years. The National Association of Software and Service Companies (Nasscom) estimates that Indian professionals in the US contribute $500 million (Rs 2,250 crore) every year as social security taxes without getting any benefits. Now, the two countries are working towards a "totalisation agreement" that will either exempt such professionals from having to pay taxes or find some way of compensating them for the same. "The agreement will ensure that Indians who have paid the tax in the US get some benefits in return," says a senior government official. India has already signed a similar agreement to this effect with Belgium and is in talks with The Netherlands and France to do the same.

AMIT MUKHERJEE

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TOP OF MIND

No Respite for Big Earners

Violators beware: Taxmen on prowl

What: A new Computer Aided Selection of Scrutiny (CASS) system will be used by the Department of Income Tax (DoIT) to select I-T returns for scrutiny. The system selects the cases on the basis of "Revenue at Risk", i.e., the quantum of money that the government is likely to lose if those cases are not scrutinised. It is expected to select about 1 per cent of the total returns filed for scrutiny.

How: CASS takes into account the data from various sources like the annual information return (AIR), securities transaction tax, and cash withdrawal tax, among others. A senior DoIT official tells *BT*: "If, say, a businessman's returns are inconsistent with the returns filed by the others in the same business, it will be a fit case for scrutiny."

Potential: The 18 lakh units of information filed in 2005-06 have a total transaction value of about Rs 23 lakh crore. If the government can mobilise even 1 per cent of this, the revenue potential can be mind-boggling.

Downside: Taxmen can use this to harass honest taxpayers.

SHALEEN AGRAWAL

Congestion Surcharge

What is it? Airlines in India, which are bleeding money, have decided to add a Rs 150 "Congestion Surcharge" to their fares to compensate for air traffic delays.

Why? The airlines claim that they lose Rs 2,500 every minute a plane (Airbus A320/Boeing 737) circles over a city waiting for a landing slot and this contributes to their losses. Kingfisher, for example, lost Rs 104 crore in the first half of 2006-07.

The problem? Civil Aviation Minister Praful Patel thinks that the airlines should not charge consumers an "additional" surcharge over and above the hefty Fuel Surcharge they already levy and has instructed Indian not to charge this particular surcharge.

The situation now? So what if the minister doesn't like the surcharge; most private carriers have ignored the minister's diktat.

What does it mean for you? You see, the cheap advertised fares notwithstanding, the actual amount you pay is usually Rs 3, 000 more (on a return ticket) than the published fare.

KUSHAN MITRA

ECONOMY WATCH

NET FII INFLOWS

A Mixed Picture

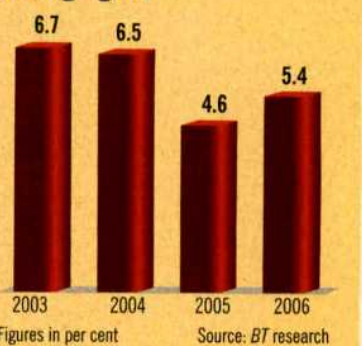
Figures in Rs crore Source: SEBI
Third quarter figures are up to Dec. 6, 2006

Status: Rs 15,187 crore in the third quarter of 2006-07, up 35.45 per cent from the previous quarter.

Impact: Rising FII inflows augur well for the country's bourses as well as the economy. The recent buoyancy in dollar inflows have not only created depth in the market, but also strengthened the rupee.

INFLATION

Rising Again



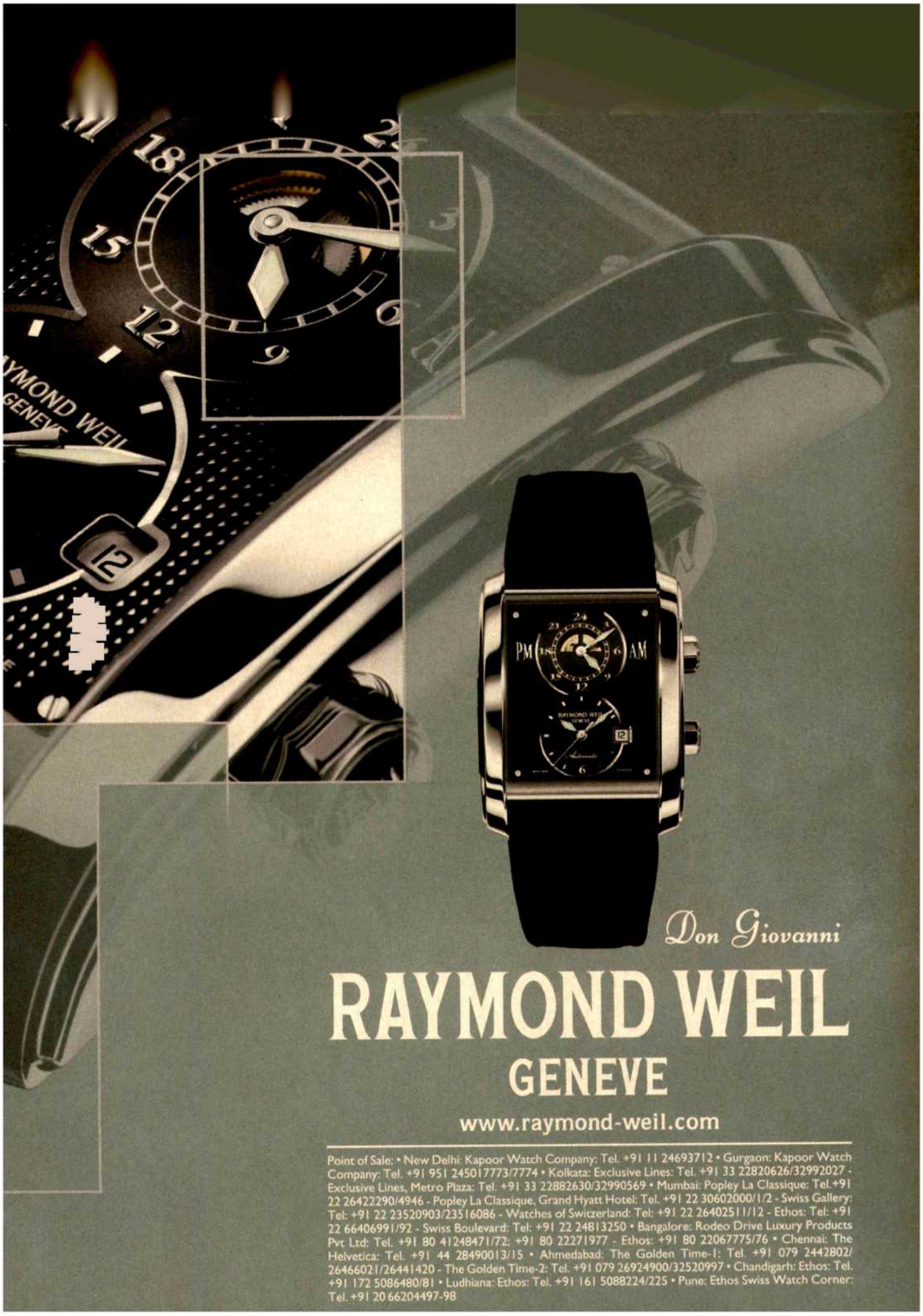
Figures in per cent Source: *BT* research

Status: 5.45% in 2006 compared to 4.6% in the previous year.

Impact: Despite a softening of crude oil prices, inflation is on the rise in the domestic market. Higher levels of inflation have the potential to increase the interest rates thereby affecting the consumer boom and savers. India Inc, which is in expansion mode, will be affected by rising interest rates as it will increase the cost of production.

COMPILED BY ANAND ADHIKARI

PINAKI PAUL



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P-WATCH

A bird's eye view of what's hot and what's not on the government's policy radar.

REGULATOR MOOTS CROSS SUBSIDY!

Soft Landing Approach

- Pool mechanism for insurers to handle 'third party' business
- Truckers' lobby worked hard against risk-based pricing
- Regulator is in the process of deregulating motor insurance tariffs

THE FORCE OF THE TRUCKERS' LOBBY IS WELL known—diesel prices are never marked to market; they are subsidised by the government and oil companies. Now, it appears, they have flexed their muscles in the insurance business as well. The Insurance Regulatory Development Authority (IRDA) has mooted a solution that will subsidise the third party insurance costs of truckers. Left to the market, the premia would have vaulted 270 per cent in some cases. The IRDA has moderated this by allowing a pooling mechanism for third party insurance business.

The insurers will participate in the pool in direct proportion to their overall general insurance premium and will also get a 10 per cent commission on their motor insurance business.

Whether it is pragmatism or a case of succumbing to political forces, the "soft" approach of the regulator surely does not augur well for its image.

SHALINI S. DAGAR

TALK MORE, PAY LESS

IN A MOVE THAT MAY WELL RESULT IN A STEEP REDUCTION IN STD TARIFFS IN the country, the government is considering resale of domestic long distance bandwidth.

Currently, domestic bandwidth is sold by operators to BPOs, ITeS companies and large corporations, who are the end-users. The government proposes to allow intermediary operators who will be able to sell down bandwidth to the same end-users. They can use the physical infrastructure laid by the long distance operators. So, how does this help reduce costs? Since marketing expenses are as high as 30 per cent of service cost, creating a second layer of marketers will help defray this cost better, argue experts.

So, how far is it away from reality? A high-powered government committee has reportedly submitted its report to the Prime Minister's Office, terming the move as essential. Hopefully, this should create the necessary momentum for expeditious policy making.

SHALEEN AGRAWAL

FUELLING FREEDOM

PRIVATE AIRPORTS ARE GOOD FOR CONSUMERS—ONE CAN EXPECT QUALITY service. They will also be good for airline companies that spend up to 30 per cent of their bills on fuel. The government is planning to allow free competition amongst Aviation Turbine Fuel (ATF) retailers in private airports. Consequently, private operators will decide the supplier of ATF in their respective airports. Currently, public sector oil companies enjoy a virtual monopoly on selling ATF to airlines as they alone have the right to set up oil dumps in airports.

Competition will surely help, especially given the high crude oil prices.

AMIT MUKHERJEE

NHPC IN EQUITY MART

RARELY DO COMPANIES ON state-support head for the market. Early this month, the Cabinet approved an Initial Public Offering (IPO) by the state-owned National Hydro-electric Power Corporation (NHPC).

It is learnt that dilution in equity will be up to 24 per cent of NHPC's total capital. Listing the company on the exchange will surely make the company answerable to a larger audience, especially given its past performance.

SHALINI S. DAGAR

Loading: Cargo business

CARGO FDI TO EASE

THIS IS ONE BAGGAGE THE country could have more of. Cargo. The Civil Aviation Ministry is planning to ease the foreign investment limit in the aviation sector from the prevailing 49 per cent to 74 per cent.

Civil Aviation Minister Praful Patel is planning to extend liberalisation to sea planes as well. Loosening the FDI belt will help for sure.

AMIT MUKHERJEE

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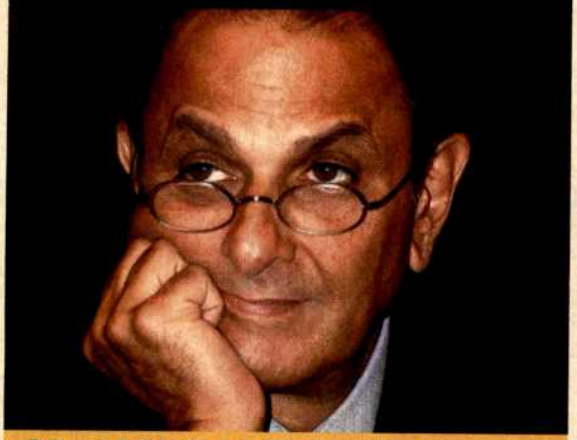
NEWSMAKER
NUSLI WADIA



UMESH GOSWAMI

Britannia's Wadia: In a tangle with Danone

NUSLI WADIA IS NOT NEW TO CORPORATE BATTLES. HIS run-in with Dhirubhai Ambani in the 80s is still among the most famous battles ever. Now, he is in the midst of another one, this time with Groupe Danone. The issue: Danone's decision to acquire a 5 per cent stake in Bangalore-based bio-technology and bio-informatics company, Avestha Gengraine Technologies in November this year.

The Wadias challenged this in the Bombay High Court on the grounds that Danone's decision was a violation of the non-compete clause between the two groups. Back in 1994, the Wadias and Danone had set up a company called Wadia BSN India to launch packaged foods from Danone's international range. The Bombay High Court has restrained Daninvest.com (the Danone subsidiary through which it was investing in Avestha) from going ahead with the deal. The case will come up for hearing on January 10.

The Wadias and Danone are partners and equal shareholders in Britannia—the two groups together hold 51 per cent of the company's equity. The first sign of discord was apparent a few weeks ago when Danone's financial results for the third quarter of 2006 did not include Britannia's numbers. In an official statement, it said Britannia did not give out the numbers on the grounds that it was "price-sensitive information". Wadia was not available for comment.

Over the last year now, Wadia had been involved in a messy battle over the Mumbai mill land issue, which finally went in favour of the mill owners. Now, in the current dispute relating to Britannia, he will have to use all his skills to ensure that he wins this battle as well.

KRISHNA GOPALAN

NUMBERS OF NOTE

11: The number of hours a week, on average, that surfers spend on the net in Europe

18 million tonnes: The annual consumption of sugar in India

15.6 per cent: The annual growth rate of the media and entertainment industry in India, according to CRISIL

Rs 2,00,000 crore: India's oil import bill in the last financial year

2 million: The estimated number of non-governmantal organisations (NGOs) in India

24 per cent: The growth in Indian client PC market in the third quarter of 2006

$320 billion (Rs 14,40,000 crore): The investment needed over five-to-seven years to meet the demands of India's construction sector

Rs 27,450 crore: The present size of the Indian food industry

162 per cent: The growth in India's life insurance industry's new premium income in the first half of 2006-07 to Rs 29,664 crore, compared to Rs 11,323 crore in the corresponding period last year.

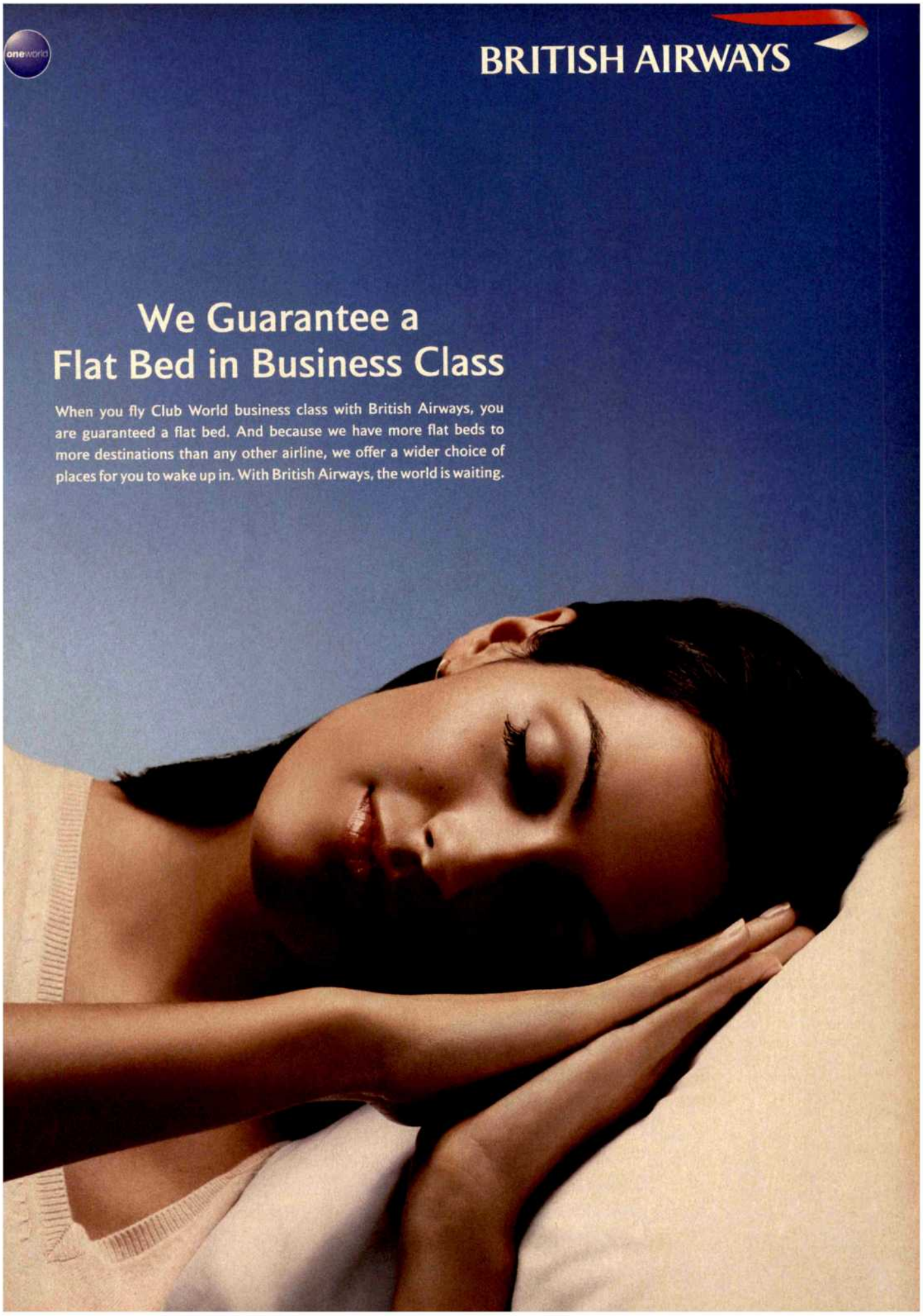
Rs 2,258 crore: The worth of foreign exchange India could save by March 31, 2007 if 10 per cent blending of ethanol with petrol is allowed all over India

4.1 per cent: The rate at which agriculture must grow for five years to push the GDP growth rate to 10 per cent

70,000: Estimated number of weblogs created globally every day on the internet

$48.7 billion: Private equity investment in Asia so far this year

Rs 7,875 crore: The value of India's film industry in 2006. The figure is projected to double to Rs 15,300 crore by 2010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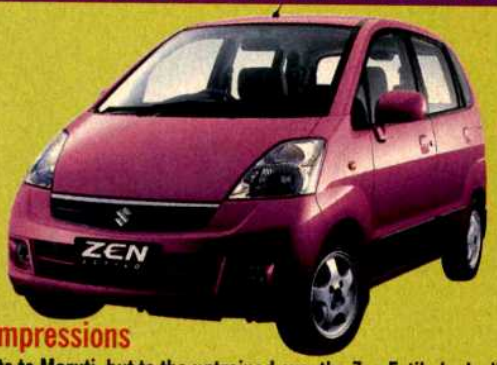
Zen And The Art Of Resurrecting Brands

DISSECTING THE NEW ZEN ESTILO

Piyush Pandey says he wrote the copy for the Zen Estilo ad himself and the TV ad, shot in Turkey, is very good; as was the collection that Tarun Tahiliani says was inspired by the car and showcased at the gala launch event. So, will this "new" Zen become as iconic as the old one? We should clarify, the new Zen isn't exactly "new", because it is actually the five-year-old MR Wagon from Japan, but then again, the last "new" car launched in this segment was the Alto in 2001. KUSHAN MITRA



First Impressions

No insults to Maruti, but to the untrained eye, the Zen Estilo looks like a strange cross between the Toyota Innova and the Daewoo Matiz. The old Zen's jellybean shape seemed more pleasant, or maybe that was because one had got so accustomed to it. But, one must concede that the crunched-up mono volume outline and the "straight-line" front-end of the Zen Estilo are novel. But because it is a Maruti, which means that it will sell a million-odd, expect the novelty to wear out fast!

Performance

Driven a WagonR? Then you already know. The extremely rev-happy and peppy 1-litre engine on the old Zen will be sorely missed as the WagonR's engine does service in the Estilo. Since the car shares its underpinnings with the Alto, driving dynamics are similar. This will not be the pocket racer the old Zen was. It will, however, be fairly pleasant to drive and extremely frugal, maybe even more so than the WagonR thanks to its seemingly better aerodynamics. The 1061 cc engine can take the car up to 140 kmph (if you really push it) and delivers a fuel efficiency of 13-15 km/l.

Interiors

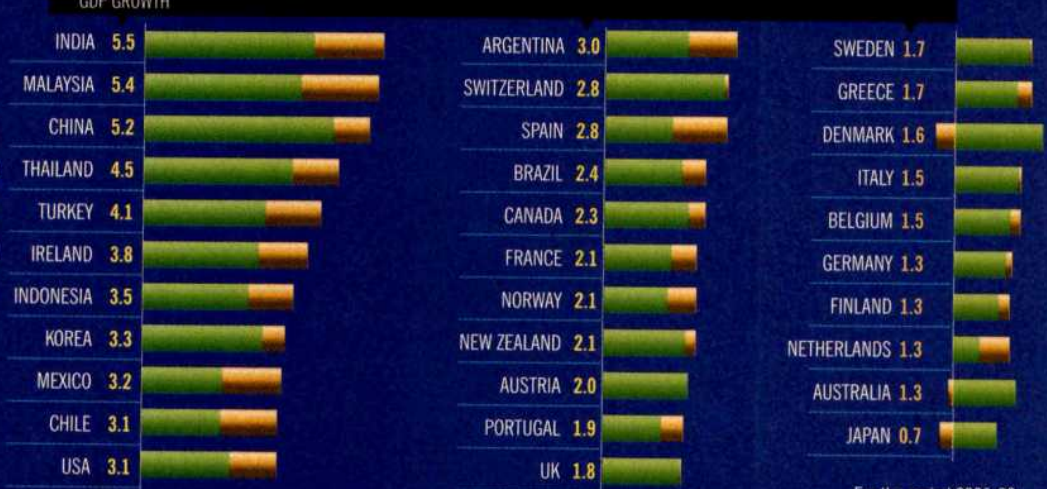
This is where this car really scores. Fair enough, the model that Maruti had on display was the top-end VXi model with very pleasant beige upholstery and a not-ugly two-tone dashboard. The rear seats have decent amounts of legroom for a small car and the luggage space, thanks to the odd-shape, is better than in the previous avatar. However, the seats do seem borrowed from the WagonR, and they probably are, and maybe that is because the two cars share a lot besides the engine and wheelbase.

GLOBAL GROWTH CENTRES

India will become the third largest economy around 2010, surpassing Japan. China will close in on the US GDP level by 2020 in purchasing power parity terms.

RUSSIA: No data for education

GDP per capita
Population growth
Figures in per cent

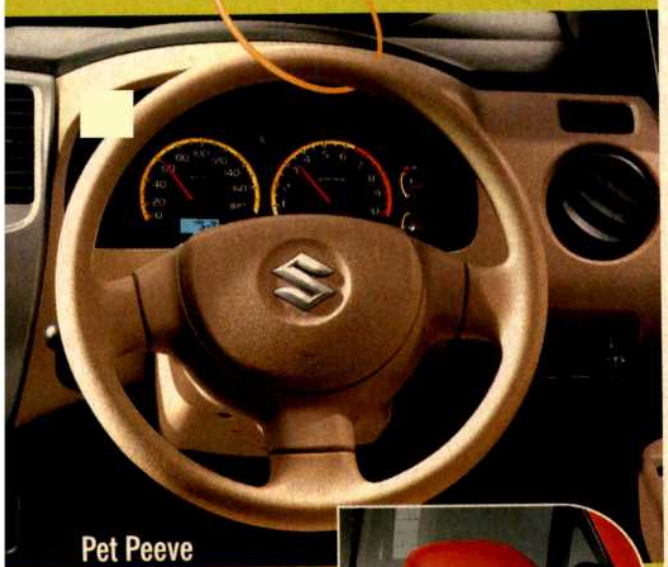


For the period 2006-20

Rs 3.19 lakh

Price : Ex-Showroom Delhi

Starts at Rs 3.19 lakh (LX, non power-steering) to Rs 4.02 lakh (VXi with all the goodies including ABS and a driver-side airbag)



Pet Peeve

The side mirror attachment to the door looks clunky.

Pet Like

The amber lines on the instrument cluster and the blue backlight on the odometer. Nice!

A recent foresight model reinforces the success story of Asian economies, with special emphasis on India, China and Malaysia. According to the report, China will close in on the US GDP level by 2020 in purchasing power parity (PPP) terms. India is projected to become the third largest economy around 2010, surpassing Japan. Germany and Japan are shown to be in relative decline. China's level of GDP per capita is today roughly equal to that of Japan in 1960 – before Japan really started to conquer the global markets. The analysis suggests China and India will continue to narrow the gap. They will produce ever more sophisticated products.

- **Deutsche Bank Research's Firnek-G "Foresight Model for Evaluating Long-term Growth"**
- **Asian economies: India, Malaysia and China lead the growth rankings**
- **Within the EU, growth will range from 1.3% (The Netherlands) to 3.8% (Ireland).**

Source: Deutsche Bank Research

"TO BE PRECISE"

"India has put itself on the radar of every investing entity in the world. The world recognises that it'll be impossible to do business without India"

Kamal Nath, *Commerce & Industry Minister, in* Forbes

"I will apply my money where my judgment thinks it can make the maximum returns. Business is business everywhere"

Venugopal Dhoot, *Chairman, Videocon, in* Time

"There is no such thing as a first-mover advantage in these new markets (like India) and if the right thing is to wait, then so be it"

Andrew Kasoulis, *an analyst for Credit Suisse, in* The Times

"I dislike gadgets beeping while I am making a point"

Azim Premji, *Chairman, Wipro, in* Financial Times

"We do not need SEZs right now. We need to focus on agriculture"

Nitish Kumar, *Chief Minister, Bihar, in* The Indian Express

"We are in a sweet spot with high consumption and investment demand. The Indian economy has got the momentum it needs"

Rajiv Kumar, *CEO, Indian Council for Research on International Economic Relations, to* BBC.com

"India has gone much beyond call centres. India should be to Unilever what China has been to other global companies"

Patrick Cescau, *CEO, Unilever, to* agencies

"Today, India is more vibrant and adventurous in its pursuit of excellence than ever before"

John Chambers, *Chairman & CEO, Cisco, in* Business Standard

"You never do a job for money. You do it because you want to do it and think you can do it"

Michael Grade, *who recently resigned as BBC Chairman to take up a job with rival ITV, in* BBC Online

"Size is important if you want to be a global player as it gives you access to markets, resources and talent"

Habil Khorakiwala, *Chairman, Wockhardt, in* BusinessWeek Online

PLANNED: By Airbus Industrie, investments of $1 billion (Rs 4,500 crore) in India over 10 years. This includes the cost of setting up a training centre for crew (investment: $300 million), an aerostructure design and building centre ($300 million) and an engineering centre ($250 million).

RECORDED: By the Indian automobile sector, total production of 10 million vehicles during the January to November, 2006 period, according to the Society of Indian Automobile Manufacturers, the first time that India has crossed the 10 million mark in a year. About 1.1 million passenger cars were produced during this period.

CROSSED: By GSM mobile operators in India, the 100-million subscriber mark in November, making it the country with the third-largest base of GSM subscribers after China and Russia. Add the 36 million CDMA subscribers to this figure, and India's overall mobile base touches 136 million. By comparison, Russia had 152 million mobile subscribers in November—a lead of only 16 million.

PLANNED: By Cisco, a pilot project to make internet protocol phones in Chennai by March next year. Cisco Chief Executive John Chambers said the internet phone manufacturing facility is just a start and that the company will gradually make its entire product range in India.

ANNOUNCED: By the Aditya Birla Group, an Employee Stock Option Scheme, for the first time, across four of its group companies—Grasim Industries, Hindalco Industries, Aditya Birla Nuvo and UltraTech Cement.

LAUNCHED: By Google, its online advertising product Click-to-Call in India. The product will allow users to directly call advertisers on Google search pages. Click-to-Call ads will allow users to speak directly to any advertiser they find on a Google search results page over the phone and for free.

RAISED: By RBI, the Cash Reserve Ratio (CRR) from 5 per cent to 5.5 per cent. This will draw out Rs 13,000 crore from the banking system, leaving it with less liquidity. Result: home and other personal loans will become more expensive.

THE LARGEST INVESTORS IN INDIA

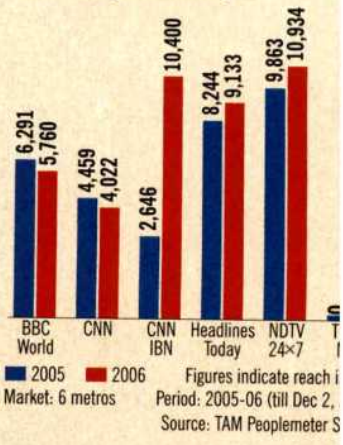
COUNTRY	2005-06 APRIL-MARCH	2006-07 APRIL-JULY	TOTAL AUGUST 1991-JULY 2006	% OF TOTAL INFLOWS
Mauritius	11,411	6,789	57,192	38.49
USA	2,210	1,187	21,862	14.71
Japan	925	133	9,063	6.1
The Netherlands	340	349	8,845	5.95
UK	1,164	358	8,629	5.81
Germany	1,345	126	6,647	4.47
Singapore	1,218	1,946	6,334	4.26
France	82	164	3,440	2.31
South Korea	269	89	3,001	2.02
Switzerland	426	86	2,780	1.82
TOTAL FDI INFLOWS *	24,613	13,055	1,74,466	

All figures in Rs crore

COMPILED BY AMAN MALIK

BEEB CHANGES TACK IN INDIA

How They Stack Up



BBC WORLD HAS WITHDRAWN TEL SION programmes tailormade Indian audiences. Shows l Question Time India and Mastern India have been pulled off air. S Jane Gorard, Director, Marketing Communications, BBC World: " target viewer is an international t eler or someone interested in in national events."

As a result, viewers of BBC W in India get to watch the same p gramming (barring the advertis feeds) as viewers in Paris or H Kong. Internationally, BBC Worl viewed by nearly 65 million pec across 200 countries every we making it the largest channel in BBC network. In India, BBC Wo reaches out to 16.5 million hom But the explosive growth in the nu ber of Indian news channels h slowly eaten away at BBC Worl reach in India. (See table)

But unlike its rival, CNN, wh joined hands with a local partn TV18, to launch CNN-IBN, BBC h no such plans. "We have been the market for a long time. We ha our own set-up. I do not see a lo channel being launched. BBC Wo is an English channel and will co tinue to remain so," she adds.

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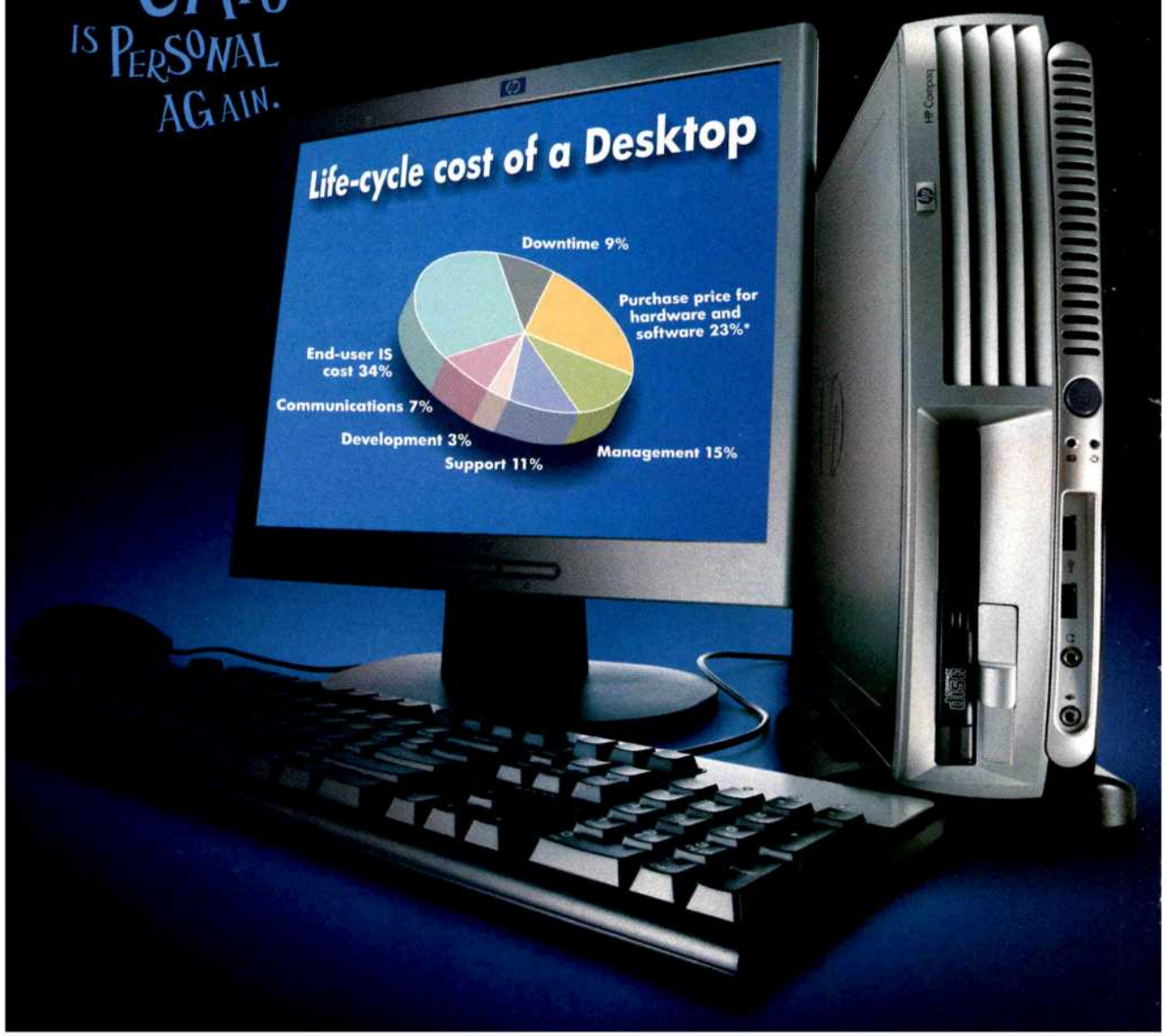

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Did you know that 77% of your computer's cost hits you after you bought it? It is estimated that the purchase price in case of desktop computers, forms only 23%* of the total cost of ownership! So where does most of your money go after you have bought the desktop for your office? It goes into maintenance, upgradation and general troubleshooting. It thus naturally follows that the computer hardware system with the lowest purchase price may not necessarily be the most cost effective system.

WHAT IS T.C.O.?

'Total Cost of Ownership' or TCO is the sum total of all the costs incurred to keep any product, in this case a computer, operational and productive throughout its life cycle. This would include all expenses related to purchase, maintenance, upgradation, etc.

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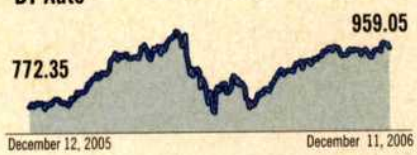

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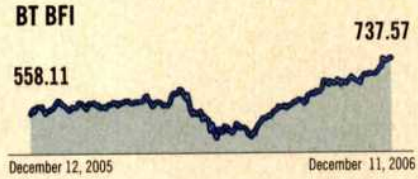

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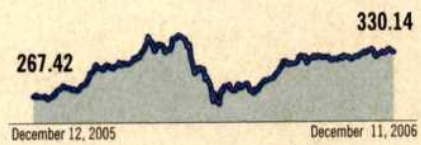

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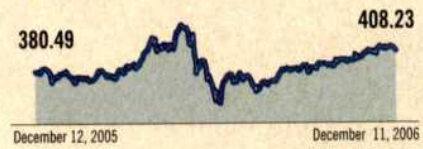

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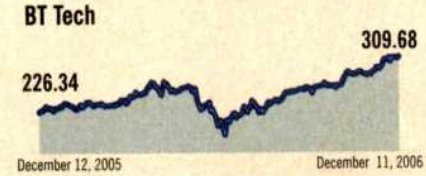
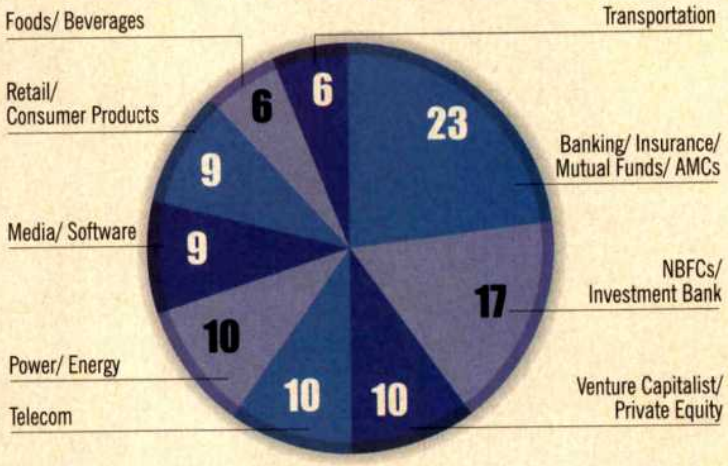
BT Tech



FIGHTING FRAUD RISK

A recent survey by global consulting firm KPMG Forensic reveals that most organisations are not equipped to handle fraud. The survey covered over 1,000 private and public companies in India, with annual revenues ranging from less than Rs 50 crore to Rs 1,000 crore. The survey is an attempt to provide a definitive insight into fraud, its aftermath and, most importantly, the measures that must be taken to prevent fraud.

Sector-wise risk perceived by respondents



What are the reasons for organisations being threatened by fraud?

How will you rate your controls/measures for protection of IP?

Does your organisation have a fraud response plan in place?

Figures in per cent

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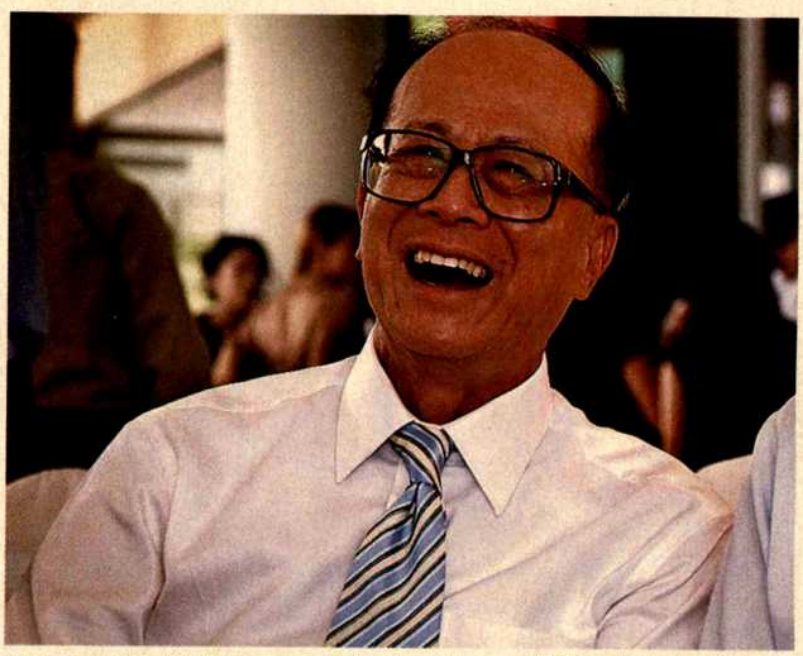
Current

Virtue of Value

Is Hutch Essar, along with its Hong Kong parent, up for sale? KRISHNA GOPALAN

LI KA-SHING, CHAIRMAN OF the Hutchison Whampoa Group, has an uncanny knack of spotting a business opportunity, investing in it and getting out at huge valuations. He launched STAR TV in 1991 which he sold to Rupert Murdoch two years later for $950 million. In 1994, he established the Orange mobile phone service in Britain which he sold in 1999 to Mannesmann, for which he got money and 10 per cent of Mannesmann's shares. Last fortnight, the question buzzing in telecom and corporate financial circles was: Is Li's richly valued telecom business headed for the block as well?

Recent media reports suggest that two private equity players—Blackstone Group LP and Texas Pacific Group (TPG)—will make a bid for the Hong Kong-based Hutchison Telecommunications International Limited (HTIL), which clocked revenues of HK$15.66 billion (Rs 9,000 crore) for the first half of 2006. Blackstone is said to be in dialogue with Anil Ambani's Reliance Communications to bid for the deal. (Both Blackstone and TPG declined to comment when contacted by *BT*.) Importantly, HTIL includes the Indian operation, Hutchison Essar Limited (HEL), which alone contributed 45 per cent to HTIL's turnover in the first half. HTIL's stake—direct and indirect—in HEL is about 67 per cent while the rest is held by the Indian partner, the Essar group.



At it, again: So, is Li all set to pull off yet another multi-billion dollar deal?

Apart from India, HTIL offers mobile services in Macau, Israel, Thailand, Sri Lanka and Ghana. In Hong Kong, HTIL offers mobile and fixed-line telecommunication services. India, however, is the big story for HTIL and, not surprisingly, the Indian arm's healthy valuation—estimated to be around $11 billion (Rs 49,500 crore)—is the result of its operations' good performance. HEL operates in 16 circles in India and has just received a letter of intent (LOI) for six new circles which will increase its presence to 22 circles against a maximum of 23 circles for a pan-India presence. When HTIL acquired the Hindujas' 5.11 per cent stake in HEL in June this year for $450 million (Rs 2,025 crore), HEL was valued at $8.8 billion (Rs 39,600 crore). With the new circles coupled with a National Long Distance (NLD) licence and an increasing subscriber base—this is well in excess of 20 million—the valuation story could not have looked better for HEL. "HEL is in play on the Indian telecom M&A scene," says a telecom

industry official. HEL officials said they do not comment on market speculation.

If HTIL wants to exit its India operations, its strained relationship with partner Essar might have plenty to do with that decision. Earlier this year, the two partners found themselves in the Bombay High Court—Essar, on its own, had bought out Rajeev Chandrasekhar's BPL Mobile operations across four cellular circles and sold it to HEL. Barring Mumbai, the other three circles were merged into the HEL fold and Essar called off its deal to sell the Mumbai operation to HEL. It, then, dragged HEL to court for not sticking to its commitment to acquire the Mumbai operation which was delayed since the go-ahead did not come from the Department of Telecommunications (DoT). This was preceded by Egyptian cellular major Orascom's decision to acquire a 19.3 per cent stake in HTIL that gave it a 10 per cent indirect holding in HEL. This has not gone down too well with the Essar Group. While the first right of refusal for HTIL's holding will be with Essar, it remains to be seen if the Ruias will be interested and, even if they are, how will they raise the money.

The effect of this squabbling has been that HEL's much talked about initial public offering (IPO) is pretty much on the backburner. The options left to Li are rather straightforward. If he does decide to sell, HTIL's 67 per cent holding—this includes stakes held by Analjit Singh and Asim Ghosh—could be worth more than $7 billion (over Rs 31,500 crore). With no IPO in sight, Li will have almost no option to unlock his value in HEL other than selling out his holding. At 78 and with a net worth of close to $19 billion (Rs 85,500 crore), Li might still have what it takes to pull off another multi-billion dollar deal.

Banking in Old Blighty

ICICI Bank UK is busy pocketing non-Indian customers.

IT MAY STILL BE A PYGMY IN comparison with Barclays, HSBC, Lloyds and NatWest, but ICICI Bank UK isn't doing badly for itself in that region. The three-year-old subsidiary of India's second largest bank, ICICI Bank, has found a comfortable niche for itself by building a balance sheet that's as large as $3.5 billion (Rs 15,750 crore), which is expected to hit $5 billion (Rs 22,500 crore) by March 2007. This makes it the largest Indian bank in Europe (and the highest rated one in the UK, to boot). "As a niche player, we are able to translate our low operating costs into lower interest rates for our depositors," explains Sonjoy Chatterjee, MD & CEO, ICICI Bank UK Ltd. For instance, the UK subsidiary offers a savings rate of 5.3 per cent on its direct banking (internet) platform, as against the base rate of 5 per cent prevailing in that geography. Through this platform, the bank is acquiring on an average 5,000 customers a month. The UK subsidiary has now emerged as the largest subsidiary of ICICI Bank,

Build or Buy?

Anil Ambani may have another route to be big in GSM.

Anil Ambani: Another ace up his sleeve

RECENTLY ANIL AMBANI QUITE literally shocked the telecom fraternity when he expressed an interest to commence GSM services across the country. Ambani already has a presence in the GSM space through group company, Reliance Telecom Limited (RTL), which operates in seven circles with a total subscriber base of around three million. But the CDMA operations, with a subscriber pool in excess of 24 million, form the core of Ambani's Reliance Communications.

Media reports have indicated that Ambani has been in discussions with the Blackstone Group to acquire Hutchison Essar Ltd (HEL), the Indian arm of Hutchison Telecom International Ltd (HTIL)—see *Virtue of Value*. Indeed, HEL is a well-established operation and, with Ambani's large CDMA subscriber base, he will become the largest player in Indian telecom. When contacted, a Reliance Communications spokesperson said that the company does not comment on speculation. Yet, HEL would make a neat fit for Ambani, who has reportedly floated a Rs 36,000 crore tender for 75 million GSM lines. An acquisition may not prove much cheaper (HEL is estimated to be worth Rs 49,300 crore), but will mean a quicker entry into GSM. If such a deal works out, Ambani and the Ruias—33 per cent stakeholders in HEL—would have to work together, unless the former is able to buy out HEL lock, stock and Essar.

KRISHNA GOPALAN

which also contributes the most to consolidated profits. Also laudable is that the customer base is dominated by non-Indians in the UK rather than persons of Indian origin.

ICICI Bank UK could well be one big reason why ICICI Bank CEO & MD K.V. Kamath is optimistic about international operations, which are expected to account for a fourth of the bank's balance sheet by 2010 (currently they contribute a 10th). Fuelling this charge will be Chanda Kochhar, Deputy MD, who has built ICICI Bank's Indian retail portfolio into a Rs 1 lakh crore colossus.

Hemmed in by the big boys of British banking, the ICICI Bank UK strategy revolves around a low-cost internet banking platform to penetrate the market there. In fact, ICICI Bank Canada has also adopted a direct banking platform. "We are seeing scale emanating from this platform," avers Chatterjee.

ANAND ADHIKARI

Fight to the Finish...

Or can Groupe Danone and the Wadias smoke the peace pipe?

THE BATTLE BETWEEN NUSLI WADIA and France's Groupe Danone, from all counts, is a while away from resolution. The two partners are now in court and this could well be the beginning of a long, hard battle. The bone of contention: Danone's decision to pick up a stake in Avestha Gengraine (Avesthagen), a Bangalore-based company with a focus on the convergence between food, pharmaceuticals and population genetics.

The first round seems to have gone in favour of the Wadias with the Bombay High Court restraining the transfer of shares. Danone was looking to acquire a 5 per cent stake in Avesthagen for €5 million (Rs 30 crore). The Wadias have contended that this is "a clear breach" of the provisions of the joint venture (JV) agreement that was entered into between Groupe Danone and the Wadia Group in 1995. A clause specified that any new opportunity relating to a food/beverage product in India would first be offered through a JV, Wadia-BSN Ltd. The breach has taken place since Danone has decided to invest in Avesthagen through a subsidiary, Dan-invest.com. Interestingly, the Wadia Group had decided to invest in Avesthagen through Wadia-BSN even as Danone's representative director on the board, Francois Roger, opposed the proposal. This resulted in the inability of the board of Wadia-BSN to pass a resolution on this proposed investment.

No resolution in sight: The fight between Nusli Wadia and Groupe Danone rages on

For some time now, things have not been exactly cordial between Danone and the Wadias. The two are equal partners in the FMCG major Britannia where both hold a 25.5 per cent stake. Sparks flew when Danone's financial numbers for the quarter ended September 30, 2006 did not take into consideration Britannia's numbers. Britannia's Board of Directors decided to limit the release of what has been described as "price-sensitive financial information" to comply with stock exchange regulations in India. This was followed by a dispute on royalty payable on brands like "Tiger" and "Little Hearts." "Tiger" is a Britannia brand and Danone pays a royalty for using the brand in other markets. "Little Hearts", quite similarly, is a Danone property for which Britannia pays a royalty.

In a recent mail to *BT*, Danone says "...it has agreed to return intellectual property to Britannia, to pay any royalties due and are in conversations to determine the conditions of this return." The Wadia Group, for its part, says it is pleased with the court order concerning Avesthagen. "We value our partnerships and our decision to take action was only to ensure protection of our interest keeping the Wadia-BSN JV in mind. We do not believe that this case will jeopardise our current business partnerships with Groupe Danone," goes a Wadia Group statement. News reports have suggested that Danone could either exit from the Britannia JV or acquire the Wadias' stake. For now, the partners appear to be doing their bit to avert such an eventuality.

KRISHNA GOPALAN

Freedom, but at a Cost

The soon-to-be freed general insurance sector isn't rejoicing.

COME JANUARY 2007, THE highly-regulated general insurance industry will be unshackled—"de-tariffed," as the Insurance Regulatory Development Authority (IRDA) terms it, which allows over a dozen non-life insurance companies to

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Stirred Creative

decide their premium rates—but few CEOs are in a celebratory mood. That's because deregulation is expected to be followed by a vicious bout of undercutting. Says Kamesh Goyal, CEO, Bajaj Allianz General Insurance Company: "The profitability of the non-life industry has been deteriorating every year and it is expected to get even worse post-de-tariffing."

Goyal is not the only one who feels this way. A recent study by rating agency CRISIL also points towards underwriting losses. It reveals that a projected 10 per cent reduction in own-damage premium for fire, engineering, and motor, accompanied by a 20 per cent increase in motor third—party (motor TP) premium, will result in the industry's underwriting losses increasing by 17 per cent. Krishnan Sitaraman, who heads e-financial sector ratings at CRISIL, says: "Underwriting losses will increase immediately after 'de-tariffing', as the benefit from the increase in motor TP premium will be insufficient to offset the impact of the reduction of premium levels in profitable segments." CRISIL expects the core business operations of industry players to remain unprofitable over the medium term.

Kamesh Goyal: Profitability concerns

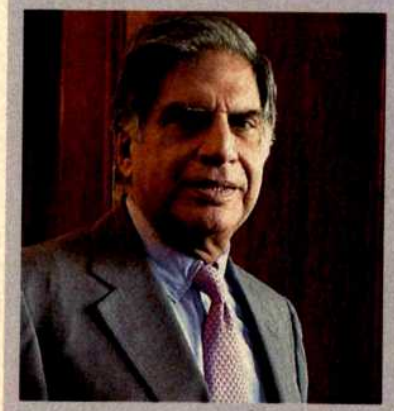
CRISIL also believes that this is likely to increase competition in profitable business segments such as fire and engineering, translating into lower premium. In contrast, returns from severely loss-making segments, such as motor TP insurance, are likely to improve to some extent, as industry players raise premium rates to cover expected claims.

Yet, there are those who believe it is too early to predict a rate war. "The increase or decrease in TP motor rates has not yet been decided. It could be more or it could be less. It is too early to comment," says a cautious Dalip Verma, MD, Tata AIG General Insurance Company Ltd. But there are industry officials who counter that investments in manpower, real estate and distribution will ensure that costs of insurers will rise. As CRISIL sums it up: "Given their relatively short track record and lower current profit levels, access to continued capital infusion will be key to maintaining financial strength in a 'de-tariffed' scenario."

ANAND ADHIKARI

Bid or Blink?

Tata and CSN slug it out for British steel major Corus.



Ratan Tata: Steeling for a fight

THE MIDDLE GAME FOR CORUS had begun, at the time of writing. After Tata Steel opened with a 455 pence a share for the British steel giant, Brazilian steel major CSN got into the game with a counter-offer of 475 pence. Even as speculation mounted about the Tatas' prospects in a bidding war —or whether it would get into one at all—on December 11, the Indian steel behemoth sweetened its offer to 500 pence. Within a few hours, CSN was ready with its move—another counter-offer of 515 pence. While Tata Steel's increased bid placed the value of Corus at £4.7 billion ($9.19 billion or Rs 41,355 crore), CSN's offer has increased it by about three per cent to £4.84 billion ($9.47 billion or Rs 42,615 crore). Interestingly, Corus' valuation has increased by 13 per cent in 45 days. In a statement released to the media on December 10, Tata Group Chairman Ratan Tata said: "We remain convinced of the compelling strategic rationale of this partnership and the revised terms deliver substantial additional value to Corus shareholders."

December 20 is when Corus shareholders meet, which gives both parties more time to indulge in fresh rounds of bidding. When *BT* went to press, the billion-dollar question was: Who will blink first? "The deal looks potentially good (for Tata Steel) in the medium to long term and not so much in the short term since there will be a lot of debt on Tata Steel's balance sheet," says Anshukant Taneja, Director (Corporate Ratings), Standard & Poor's. CSN's track record at concluding M&A deals isn't great. That may explain its aggression in the bidding battle for Corus.

KRISHNA GOPALAN

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Source: BTM Consult ApS, March 2006

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Fossil Fashions an India Foray

The global brand acquires Oyzterbay, ties up with Rajesh Exports.

DEEPAK G. PAWAR

Oyzterbay's Nangia: New shine

SIX YEARS AFTER HE EXITED AS COO of Tanishq, the jewellery arm of Titan, to set up Oyzterbay with the backing of ICF Ventures, Vasant Nangia has come full circle. His attempt at making affordable jewellery (mainly in silver) failed to take off and in March this year he had sold Oyzterbay's retail network of 36 stores to Rajesh Exports for an estimated Rs 11 crore. Last fortnight Nangia sold the Oyzterbay brand itself, to the $1.2 billion global jewellery and watches major Fossil for an undisclosed sum. Nangia will head Fossil's operation now in India as its new Managing Director.

Fossil has a number of well known watch brands in its portfolio including DKNY, Diesel, Emporio, Armani, Burberry, Zodiac, Adidas and Michele. Mark Parker, Senior VP (Asia) of Fossil said "Internationally jewellery and watches are sold together as both are fashion items." Fossil will be opening its first store in India in Bangalore in January.

Fossil India has also entered into a 50:50 JV with Rajesh Exports to source jewellery for the Indian venture. In turn, Rajesh Exports will also market Fossil's watch brands in its chain of Labh jewellery stores. Rajesh Mehta, Chairman of Rajesh Exports, says: "The arrangement is win-win for both of us. While they source jewelry from us we will be selling their watches at our showrooms."

Fossil, says Parker, is also examining the possibility of setting up a manufacturing facility in India. Nangia adds: "Fossil will continue to invest and grow the Oyzterbay brand and may take it international also. Once our first store is up and running we intend to roll out across the country."

VENKATESHA BABU

Going Against the Book

Reprints meant for the region are being sold for a song in the West.

THIS STORY HAS ITS ORIGINS IN A racket that first came to light some three years ago, when the Indian subsidiaries of some prominent American and British publishers registered a sudden spike in sales by as much as 40 per cent. Much to their chagrin, they found that educational books written by internationally well renowned authors such as Philip Kotler, Mikell. P. Groover and Ibrahim Zeid, which were reprinted in India and meant for sale at concessional rates within the subcontinent, were being bought in bulk, sold off via the internet, shipped to Europe and North America and being made available to university students there at ridiculously low prices. "We found that books that would typically cost $125-130 (Rs 5,625-5,850) in the US were available off the internet for as low as $30-35 (Rs 1,350-1,575), all shipping costs inclusive," informs Subroto Mazumdar, President and CEO, Pearson Education (India). This, say publishers, is in complete violation of all regulations, which prohibit the sale of these books outside the territories they are meant to be sold in.

An independent investigation conducted by the Association of American Publishers (AAP) concluded that the racket was being spearheaded by some of the top publishing houses in the country (which cannot be named for insufficient documentary evidence with this writer). The full scale of the matter came to light when customs officials in New Delhi seized a consignment of reprinted books being shipped to Lagos, a country they are not meant to be sold in. The representatives of the exporter, Indian Crafts Melange (ICM), which sources point out is a front organisation being operated by two of the biggest publishers in India, when contacted, refused to comment on the matter. (It is now understood that ICM has withdrawn the consignment unconditionally.)

The size of the Indian publishing industry is estimated at Rs 6,000-7,000 crore, of which the reprinting business is worth around Rs 1,000 crore. Publishers concede that the resale of management and engineering books in home territories

Caught red-handed: A seized consignment of books

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would dent their revenues by just 4-5 per cent. "Our concerns are not so much monetary, but ethical and legal," says Manzar Khan, Managing Director, Oxford University Press, India. Moreover, they claim that within the subcontinent, India is the only country that has reprinting rights. Says one publisher on the condition of anonymity: "Countries like Pakistan have been asking for reprinting rights for a long time and if such business continues unabated via India, foreign publishers may be forced to start reprinting from other countries, something that will not augur well for Indian students for whom cheap access to international books is essential."

AMAN MALIK

Go Back, Tata

Will his Rs 1 lakh car roll out of West Bengal?

IT'S A WINTRY DECEMBER MORNING in Kolkata, and shops and offices are readying to open their shutters after a weekend of violent protests against Tata Motors' proposed land acquisitions in Singur, an agricultural belt, 60 km off the West Bengal capital. Suddenly four-five young men walk into Lexux Motors, one of the Tata Motors' largest showrooms in the central business district of the city, initially masquerading as customers. One of them moves towards the front desk and asks if it is a Tata Motors' showroom. Hell breaks loose soon after, as telephone instruments are flung out of windows, and iron rods emerge out of nowhere, which come handy in shattering window panes. Slogans of "Tata go back" and "Long live the farmers of Singur," fill the air, even as posters saying as much are slapped across the showroom. The entire operation takes just 4-5 minutes.

The 1,000-acre land over which Tata Motors wants to build its factory to produce its Rs 1 lakh car has become a hot-bed of controversy. The state claims that the process of acquisition of land, and its fencing, is complete and it will hand over the land to the Tatas, come hell or high water or Mamata Banerjee, who is on an indefinite hunger strike. Banerjee's party, the Trinamul Congress, had called for a 12-hour Bangla bandh and party activists have been putting up unscheduled road and rail blockades every now and then across the state. SUCI (Socialist Unity Centre of India) and other naxalite outfits have also sponsored a 24-hour Bangla bandh on a separate day and are getting into violent clashes with armed forces. Social activist Medha Patkar, writers Arundhati Roy, Mahasweta Devi and a few groups of intelligentsia have also joined the bandwagon. Support from less predictable quarters comes courtesy B. Ramalinga Raju, Chairman, Satyam Computers, who is opposing "any forceful grabbing of farmers' land". As many as eight chambers of commerce have issued a joint press statement urging all concerned parties to stop politicising the issue.

If there is any silent stakeholder in this whole episode, it is Tata Motors, whose officials are tightlipped. "We are extremely happy over the way the state is handling the whole issue and is cooperating with us," is all Ravi Kant, Tata Motors MD, said in a press conference in Kolkata recently. And sources say with a land price of Rs 2 lakh per acre, which has to be paid after five years with an annual interest rate of 0.1 per cent and an electricity cost of less than Rs 3 per KWH (including demand charges, fuel cost adjustment, electricity duty and variability of peaks) and proposed tax exemptions, the Tatas have reasons to be happy. But Singur, unfortunately for Tata Motors, is one of the Trinamul Congress' few strongholds, with the local MLA belonging to the party.

In the meanwhile, Uttar Pradesh Chief Minister Mulayam Singh Yadav and Orissa Chief Minister Navin Patnaik have reportedly sensed an opportunity and are attempting to woo the Tatas to their respective states. At Gopalpur in Orissa, the Tatas had acquired 3,400 acres of land for a steel plant in the

SHAMIK BANERJEE

Turmoil in Bengal: Vandalised Tata Motors' showroom

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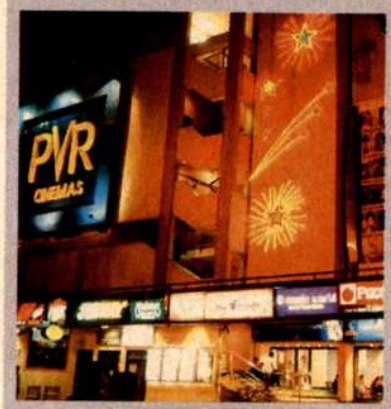
mid-90s, although the project is still in cold storage. Plans for a special economic zone on this land have also been hanging fire for some time now. Besides, the state government is developing a hub for auto component manufacturers over a 500 acre land at Choudwar in Cuttack district, which is not too far off from the Tatas' land. West Bengal CM Buddhadeb Bhattacharjee crossed the first hurdle when he got Ratan Tata to agree to put up the first automobile unit in the state in independent India. A bigger challenge now is to hold him back.

RITWIK MUKHERJEE

Hot Flicks and Food

Pack in a meal after catching the latest hit (or a flop show).



Growing appetite: It's F&B now

TICKET SALES WOULD NATURALLY contribute the most to multiplex revenues—63 per cent as per industry estimates—but food and beverages (F&B) also play their part, with roughly a quarter of sales. The Delhi-based PVR Cinema is looking to increase the F&B portion by foraying into food courts, for which 'PVR Food Union' will be formally launched in June. "PVR Priya and Anupam in Delhi don't need a food outlet as there are enough options in the area, but Sahara Mall and Ambience Mall in Gurgaon still need them and this is where we would do our first opening," says Pramod Arora, President—Corporate Strategy and Business Development, PVR Cinema. At Sahara Mall, PVR Food Union will occupy 14,000 square feet and will have 16 different outlets while the one at Ambience Mall will be spread over 30,000 square feet with 22 kiosks.

PVR plans to do a pan-India launch of it new business for which the company has identified Dhanbad, Ahmedabad and Baroda for the June launch. The company plans to launch the newer PVR Cinemas and PVR Talkies along with PVR Food Union. PVR plans to operate 25 such food courts by 2008-end and each would be covering between 10,000 and 30,000 square feet with total investment for the entire project ranging between $1-1.5 million (4.5-6.75 crore).

PALLAVI SRIVASTAVA

Very Crowded Skies!

Airbus predicts the need for 1,100 more planes by 2025.

IF YOU'RE HOPING THAT WITH ALL the modernisation plans of Indian airports the air traffic congestion situation will improve, you probably should not read on. John Leahy, Chief Operating Officer, Airbus N.A, predicts the Indian market will see demand for over 1,100 aircraft of over 100 seat capacity in the coming 20 years. Currently there are close to 250 aircraft in India today.

"We are on average delivering one plane a week to India right now," Leahy says triumphantly. "And thanks to our customers we have a clear lead over our rivals in the market. In 2005, out of the 327 orders placed for aircraft, 229 aircraft were from Airbus. This year, Airbus claims to have a 75 per cent share of orders and right now 53 per cent of the almost 250 aircraft in service are Airbus aircraft." However, Airbus has used

SAPTARSHI BISWAS

Airbus' Leahy: Sees soaring demand for aircraft

some innovative math here, since Boeing actually booked the 68 aircraft Air India order this year (Airbus' calculations categorise that order in 2005), which would give Boeing a majority of sales this year.

Despite most carriers being hemmed in by huge losses—including key Airbus customers such as Kingfisher and Air Deccan—Leahy still feels the Indian market is viable. "The airline industry is never an instant money maker, I believe there will be some growth pains but sooner or later the market will stabilise and we have complete faith in the viability of all our customer airlines."

The reason Leahy is so confident is because he believes that due to the lack of capacity and regulations there is still a massive gap between actual capacity and future requirements. "There is a latent 'frustrated demand' in India and that demand is only getting filled now. Also, there is a tremendous modal imbalance between rail and air traffic in India which will drive demand further."

And Leahy is not too concerned about the infrastructure gap. "There are new, modern airports coming up in India right now. In fact, your Civil Aviation Minister (Praful Patel) believes our projections are too conservative, and told us that he expects over 2,000 aircraft will be acquired by Indian carriers in the coming 20 years," Leahy chuckles.

Airbus also sees an opportunity to sell A380 and A350XWB aircraft in India (Kingfisher has already ordered five of each). "I feel Indian carriers will also increase their share of international traffic to and from India from 35 per cent to at least 50 per cent. In fact, when I look at the global aviation market I think India and China are going to play an increasingly important role." In fact, if Airbus is ramping up its production capacity, it's largely to meet anticipated demand from India and China. "Our A320 family, which is the aircraft of choice for many Indian carriers, has seen production boosted from 32 aircraft a month to 36 aircraft a month and we are thinking of increasing capacity on the A330/340 line as well to meet demand."

Times are good for the manufacturers, but you don't see too many passengers who will be jumping for joy at the news and with the fog season expected to roll into Delhi now, things are unlikely to improve!

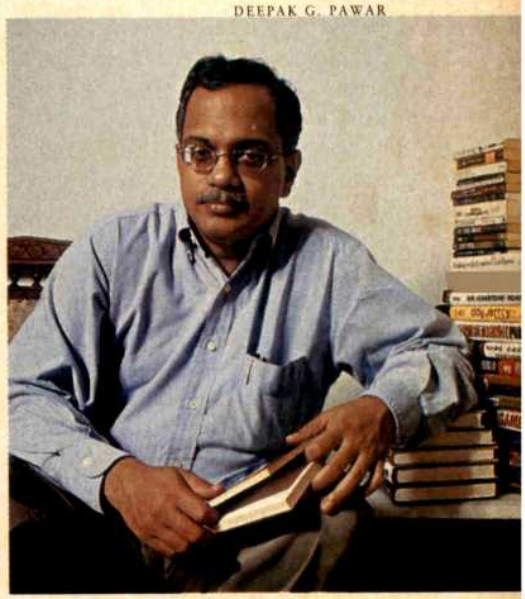
KUSHAN MITRA

VCs Go to School

Manipal Group gets $70m for its education initiatives.

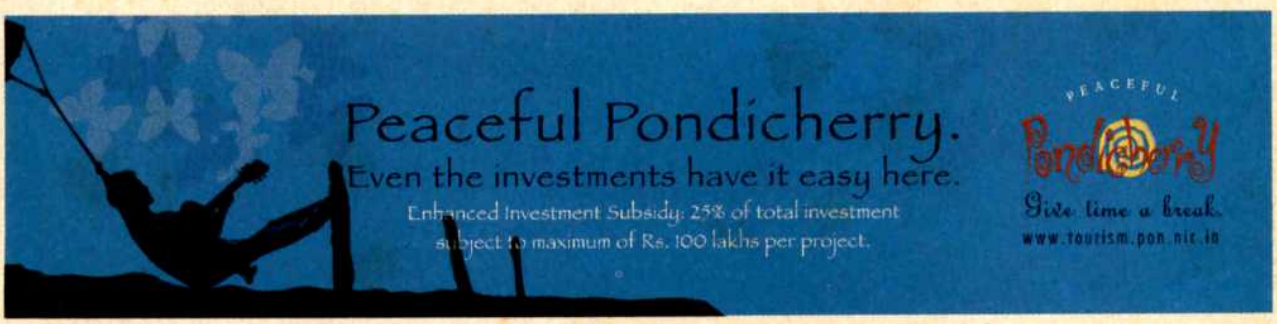
WITH NEARLY HALF OF INDIA'S 100 crore-plus population under 25, one sector poised for exponential growth is education. While the education sector itself

DEEPAK G. PAWAR



MU's Sudarshan: New growth chapter

holds lot of potential, governmental regulations have hamstrung and impeded the full participation of private sector players in a major way, leading to little venture capital funding coming in. The Manipal group is looking to change things. A pioneer in private education—having set up India's first private medical college, the Kasturba Medical College in Manipal, Karnataka way back in 1953—the southern group is looking at expanding its already substantial presence in the sector. Manipal Universal (MU), a part of the Dr Ramdas Pai-owned Manipal Education and Medical Group (MEMG), has received $70 million (Rs 312 crore) in venture funding from Capital International and IDFC Private Equity. Currently MU has



annual revenues of nearly Rs 470 crore. Says Anand Sudarshan, Group President, MU: "We will use these funds mainly to expand our operations in distance learning, industry-focussed vocational training programmes and for expansion overseas."

Pointing out that because of an industry-academia disconnect, vocational training in India has not taken off in a major way, Sudarshan says MU will aim to bridge the gap. "If you take the retail sector alone investments announced by the likes of Reliance Retail, Bharati, AV Birla Group and Future Group run into several thousand crores. But today there are not sufficiently trained people to man, say, the retail counters or look after back-end logistics. Our aim would be to train people to fill these gaps not just in retail but in other areas like banking, telecom, media and infrastructure services."

Manipal Education and Medical Group, begins with nursery schools, runs medical, engineering, management, law, pharmacy and even journalism colleges. It is also one of the largest healthcare service providers with more than 7,000 hospital beds under operation. The group also has an international footprint with overseas campuses in Dubai, Nepal, Malaysia and Antigua. Nearly 5,000 international students get trained at its overseas campuses. Says Sudarshan: "With two universities, nine campuses, 24 professional colleges and 96,000 students, we are already an international player. The investment which has come in is a vindication of our strengths and allows us to scale our model. I do not see any reason why India should not become an education powerhouse similar to, say, what we are in IT." Other VC firms will be tracking closely this first investment in India's education sector.

VENKATESHA BABU

RAJKUMAR

Jagran's Gupta: Spots new readers

Hinglish in the Hinterland

Brace yourself for an English-cum-Devanagari tabloid.

IN A NOVEL EXPERIMENT, THE DAINIK Jagran Group, which publishes *Dainik Jagran*, the country's largest selling (28 editions across 10 states) and most read Hindi newspaper (total readership is 21.2 million, according to the 2006 second round of Indian Readership Survey, is planning to launch a bi-lingual daily tabloid. To be called *Inext*, the tabloid will have content in Hindi and English both. While Hinglish—an interesting mix of Hindi and commonly-used English words—has become the preferred medium for both Hindi television channels and publications (like *Jagran* itself), the *Inext* experiment will be different in that the Roman script will be used for English words and Devanagari for Hindi. The tabloid is likely to hit the markets—initially only Lucknow and Kanpur in Uttar Pradesh—on December 18.

Says Sanjay Gupta, CEO, Jagran Prakashan: "*Inext* will be an aspirational product for those who have just graduated to English from Hindi and there is a sizeable chunk of readers in this category in our target cities." The group claims to have done extensive research in the targetted markets—Lucknow and Kanpur have a minuscule English readership of around 3-3.5 lakh, whereas the readership of Jagran alone is over 12 lakh—in which it was found that consumers in the age group of 14 to 35 wanted a non-stuffy and light product that would have an aspirational (and hence the use of Roman script) tinge to it. "*Inext* will not be a mainstream newspaper focusing on politics or crime or the usual topics that Jagran covers. It will, instead, be a local product on the lines of global tabloids like *The Sun*," says Gupta, adding that "it will be a product with an attitude." But wouldn't the new daily eat into *Jagran*'s readership? "Instead, we expect *Inext* to create a new universe of readers outside *Jagran*'s because it will cover altogether different topics and issues."

As for the pricing of the tabloid, Gupta says: "We have not decided on the final price yet. But to ensure a larger circulation, we will keep it lower than *Jagran*." He refuses to divulge the investment the group is making in the new project. *Jagran* Prakashan, however, at the time of its IPO early this year, had said that it planned to launch a new Hindi newspaper brand targetted at a different readership segment than that of *Jagran*'s and it had proposed to spend around Rs 43 crore out of the IPO proceeds on the new product. The group had also said that it would look at acquiring some publications within and outside the markets it is present in.

Meanwhile, the initial run of *Inext* is likely to be around 50,000 copies. The group plans to expand it in other markets, later. "We are hopeful of the success of *Inext* because it will be a product in sync with the times," says Gupta. Indeed, if the product clicks, it will mark the start of a new culture in Hindi publishing business.

ARCHNA SHUKLA

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R-V

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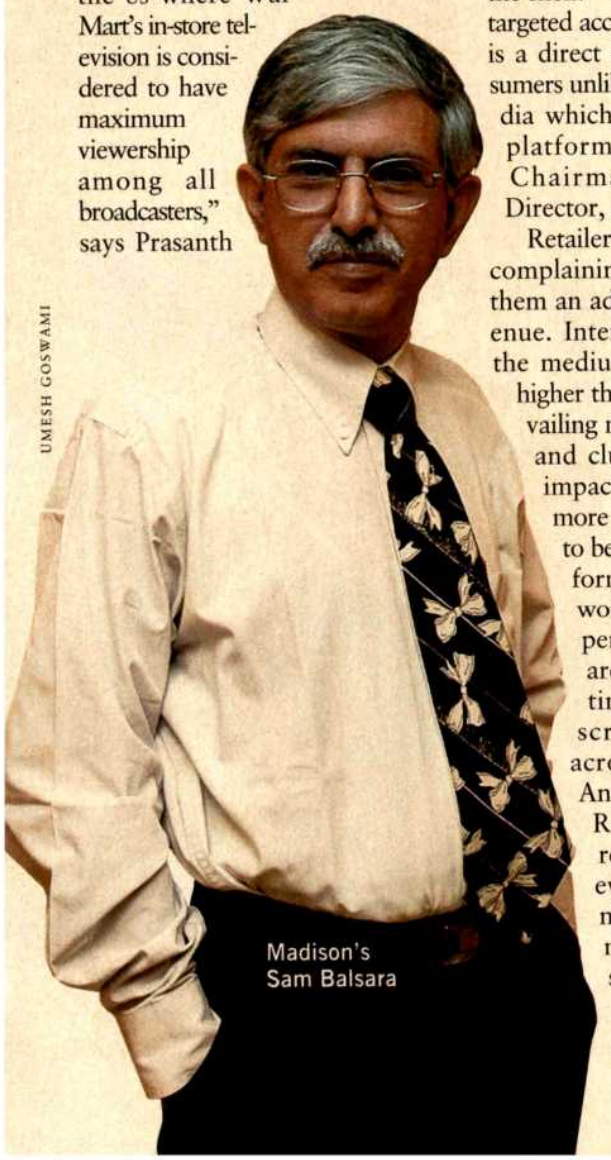
New Medium & Message

Now, display screens in malls may influence what you buy.

RETAIL MEDIA, A POPULAR concept in the West among marketers and advertisers seeking to tap consumers on the move, is gradually taking shape in India. With the emergence of organised retail and an increasing number of consumers flocking to shopping malls, leading media and advertising agencies are keenly looking at the opportunity to engage them there. "Retail media has already proved its efficacy as an advertising medium in the US where Wal-Mart's in-store television is considered to have maximum viewership among all broadcasters," says Prasanth Mohanchandran, Vice President, Digital, Ogivly One.



UMESH GOSWAMI

Madison's Sam Balsara

Retail media is a curious mix of outdoor and audio-visual media. It is, in fact, in-store, on-screen advertising, which seeks to reach out to consumers when they are in the most receptive mode. "Retail media starts where conventional media like television, print and outdoor end. Conventional medium introduces a product to a consumer, whereas retail media can influence them to buy it at the time when they are making a purchase decision," says Sandip Tarkas, Media Head, Reliance ADA Group. The premise behind retail media is that it provides brands an opportunity to influence consumers when they are just about to pick up a product off the shelf. "Retail media provides a targeted access to real consumers. It is a direct touch point with consumers unlike the conventional media which is actually a message platform," says Sam Balsara, Chairman and Managing Director, Madison World.

Retailers, on their part, are not complaining because it provides them an additional source of revenue. Interestingly, ad rates for the medium are expected to be higher than the rates for the prevailing media. "Being a focused and clutter-free medium, its impact is likely to be much more and hence, we expect it to be costlier than other platforms," says Balsara. No wonder retailers like Shoppers' Stop and Pantaloon are in the process of putting up 4,000 to 7,000 screens in their stores across the country soon. Another enthusiast Ishan Raina, entrepreneur-in-residence, 3i, is thinking even ahead. He is planning to bring a new technology that could streamline the process of streaming content across multiple screens in multiple locations. He is, currently, in talks with a Chinese firm, Focus Media, a $68 million (Rs 306 crore) company that specialises in out-of-home lifestyle media solutions. Raina plans to launch "at least 20,000 screens in a year's time".

WPP and Madison have already set up dedicated divisions—Madison Retail Paradigm and Neo, respectively to study and create new solutions for the medium. These players see a Rs 800-1,000 crore opportunity in the emerging space. "In markets like China, out-of-home lifestyle medium is a big industry as is evident in the success of Focus Media. "We expect retail media to eke out a 5-6 per cent share in the total ad spends (Rs 14,000-15,000 crore in 2005) in a year," says Raina.

ARCHNA SHUKLA

Return of the Prodigals

BPOs are realigning brand names with parents'.

WOULD A PROSPECTIVE CLIENT be more inclined to sign a contract with a business process outsourcing (BPO) firm called Infosys BPO than with one called Progeon? The answer is a no-brainer—an association with a pedigreed parent will provide the offspring an opportunity to leverage the former's brand equity; and it will also go a long way in attracting talent in an industry plagued with attrition rates of 70 per cent and over. The reason for separate identities early on could have something to do with the fledgling nature of the BPO business and its overdependence on low-value call centre operations.

The Highly

VOLUME 1 – ISSUE 1

Windows Server 2003

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LONDON STOCK EXCHANGE CHOOSES WINDOWS OVER LINUX FOR RELIABILIT

Tom Nagy for The Highly Reliabl

THE HEADQUARTERS BUILDING of the London Stock Exchange, located in London's Paternoster Square.

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special edition

Reliability Is Key in the "World's Capital Market"

By MICHAEL BETTENDORF

LONDON, Oct. 2006 — When an IT system must process 15 million real-time messages per day, with peaks at 2,000 messages per second, even one second of downtime counts. That's the pressure the London Stock Exchange faced when building Infolect, the Exchange's real-time stock-ticker information delivery system.

The solution had to have rock-solid reliability, nothing less. "Reliability is one of the key attributes of the Exchange in its technology systems. These systems have to work every day, 24/7, to make sure the markets are there," said CIO David Lester, who evaluated both Linux and Microsoft® Windows Server® 2003 for the Exchange's core technology systems. "We looked at a number of different platforms for our Technology Roadmap and we lined up our business requirements with the capabilities of those platforms and Windows Server was the clear choice."

In Lester's view, long-term reliability is a function of a solid relationship: "We wanted a deep partnership with an organisation that could deliver the kind of mission-critical technology that we needed and we felt Microsoft delivered just that."

For the full London Stock Exchange case study, plus other case studies and independent research findings on the reliability of Windows Server versus Linux, visit ***microsoft.com/india/getthefacts***

RELIABILITY NEWS & NOTES: A study released yesterday found that Windows Server was the highest performing operating system that ever

BREAKING NEWS: London Stock Exchange Achieves Record Reliability

London Stock Exchange CIO David Lester (above) cites Windows Server as key to maintaining system reliability and performance.

LESTER SPEAKS OUT:

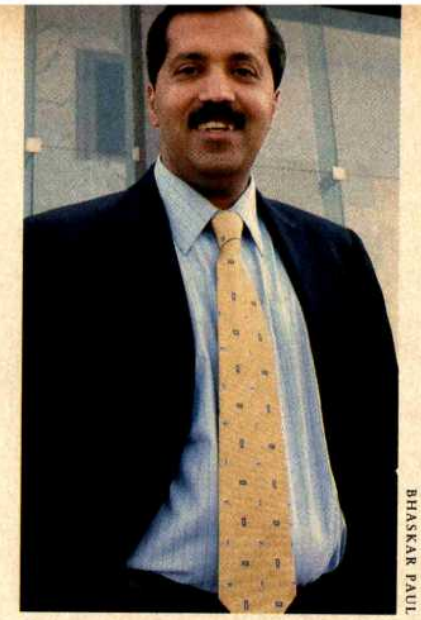
"We looked at a number of different platforms for our Technology Roadmap and we lined up our business requirements with the capabilities of those platforms and Windows Server was the clear choice." –David Lester, CIO, London Stock Exchange

JOURNALISM BEAT: Continued growth for reliability-focussed newspapers A worldwide survey tracking trends in newspaper use has found some shocking results that were not

But as a clutch of BPOs reaches critical mass and realigns its portfolio to focus less on voice and more on data, an association with blue-blooded marques may just be the order of the day. And that's one big reason why Progeon is now Infosys BPO, Wipro Spectramind is now Wipro BPO and—in the latest rechristening—e-Serve International will be known as Citigroup Global Services. Meantime, in a rebranding of a slightly different kind, and in an attempt to position itself as an independent identity that does not lean on its parent for business, ICICI OneSource has changed its name to Firstsource.

"Infosys has a great brand name among clients and employees. So from a brand equity perspective, the name change has brought us immense value," says Infosys BPO's CEO Amitabh Chaudhary. The name change is also a show of ownership for Infosys, which now owns the BPO business entirely (except for employee stock options), after it bought out Citigroup's 23 per cent share in the company earlier this year. What's more, with a common brand name, companies like Infosys are able to offer a bouquet of IT and IT-enabled services to clients—some 53 per cent of Infosys BPO's clients are common to the parent. And e-Serve International is now called Citigroup Global Services to better reflect a closer association and identity with the parent organisation, says Rahul Singh, CEO and MD of Citigroup Global Services.

"The Citigroup brand name will help make the company an employer of choice in an industry in which employee turnover is very high," says Sanjay Nayar, CEO Citigroup India, and Chairman, Citigroup Global Services. Infosys BPO's Chaudhary agrees. "Employees are happier to be associated with the Infosys brand



BHASKAR PAUL

Citigroup's Nayar: Name game

name than Progeon," he says. In fact, the company also did a subtle survey amongst its employees to understand their views on a name change. "Most of them echoed their preference for an Infosys-associated brand name," adds Chaudhary.

Even as several of these companies adopt their parents' names to garner more business and employees, ICICI OneSource has gone the other way by dissociating itself from the parent brand. Ananda Mukherji, CEO & MD, Firstsource, says "we were viewed as a captive and a part of the bank, which we never were." Firstsource has 61 clients, only two of them being ICICI companies—ICICI Bank and Prudential ICICI. Clearly, depending on the parent's business model, for some it's time to cut the apron strings, whilst for others the knot has only got stronger.

SHIVANI LATH

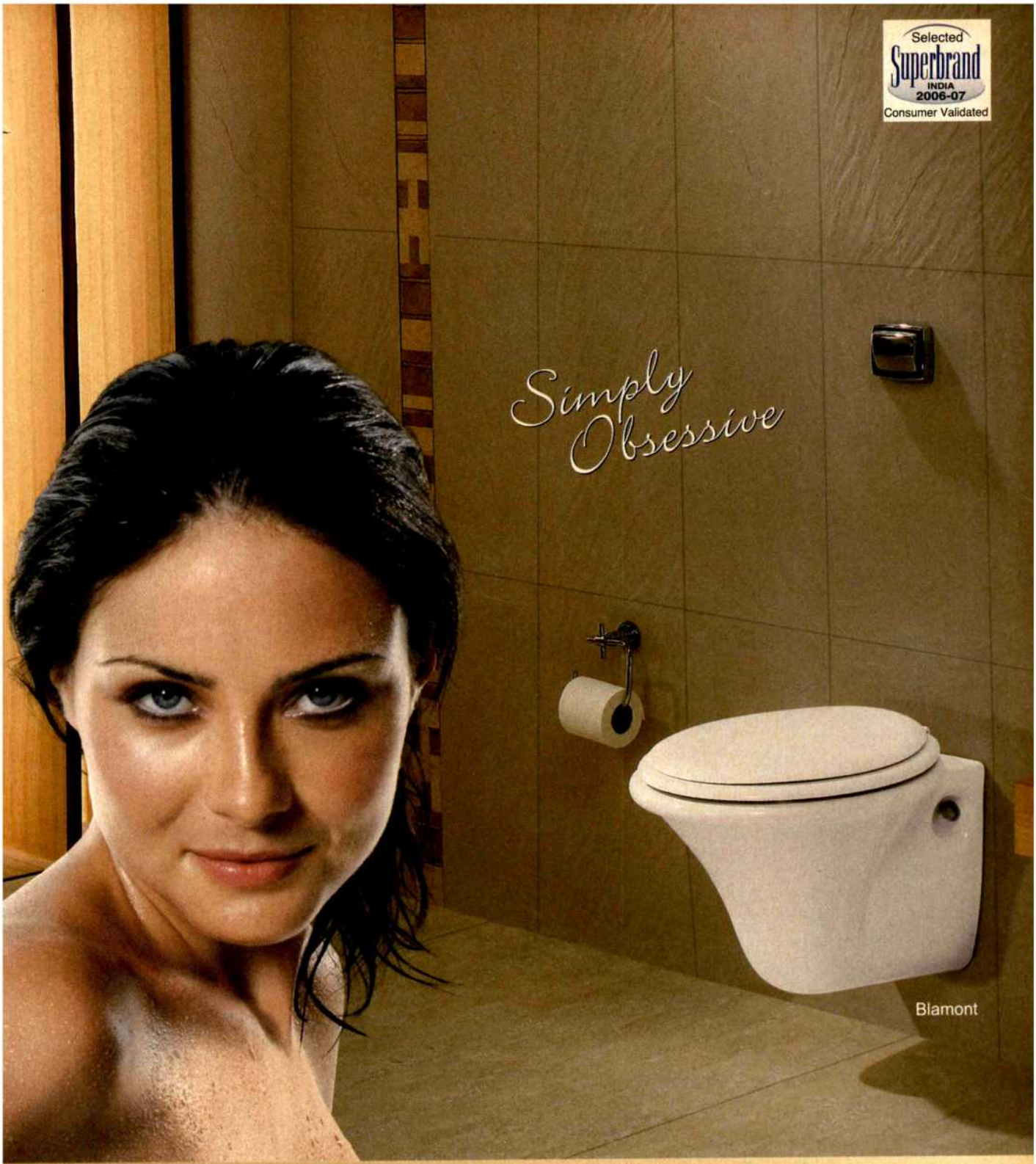
Winning, the Cescau Way

The Unilever Group CEO has huge expectations from India.

IN 2004, WHEN ANGLO-DUTCH consumer goods giant Unilever clocked growth of just 0.9 per cent, the management thought it was time to shake things up. A Group CEO, in the shape of Patrick Cescau, took charge, who would lead a single top executive team into which foods and home & personal care (HPC) would be integrated. As a part of this exercise, last April former HLL Chairman Manvinder Singh Banga was appointed President of Unilever's global foods portfolio (and Harish Manwani took over as President - Asia Africa, in addition to Chairman, HLL). The objective of the new structure was to hasten decision-making and ensure accountability.

As 2006 draws to a close, Cescau's efforts appear to be yielding fruit. For the first three quarters, growth has inched ahead to 3.9 per cent. Break up that figure region-wise and you will realise why the group CEO made a whistle-stop visit to HLL House last fortnight. As against year-to-date growth of just 1.4 per cent for Europe and 3.5 per cent for the Americas, Asia/Africa zoomed ahead at 8 per cent. Not just that, as Cescau pointed out in his interaction with Indian media: "The developing and emerging (D&E) markets—which will also include Latin America—make up 40 per cent of Unilever's turnover, which makes them bigger than Western Europe." HLL seems to be responding to Cescau's direct for more aggression—after four years of flat sales, HLL's top line is humming at a growth rate of a little over 12 per cent. But the challenges of growing market shares and making foods contribute much more than 14 per cent to total turnover will keep Manwani busy.

BRIAN CARVALHO



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MADISON CREATIVE 06-0352

Here Comes the Sun

A Moser Baer subsidiary is betting big on solar energy.

RATUL PURI, EXECUTIVE DIRECTOR, Moser Baer, the world's second largest manufacturer of optical media, is excited. Puri expects margins in the optical disc business to be a chunky 35 per cent in the coming quarters. But that's not the reason for the excitement. Rather, it's a little-known subsidiary of Moser Baer that's responsible for Puri's upbeat mood.

Moser Baer Photovoltaic (MBPV) started out in 2003 and the parent company has invested close to Rs 350 crore in this company. Photovoltaic technology is the ability to take photons from light and convert them to energy—as in solar cells for most people. But Puri isn't thinking calculators and watches. "If I were to cover the roof of this office with solar energy sources, I could easily offset a significant amount of my electricity bill," he says.

But Photovoltaic technology has been around for over a century, and other than a few niche applications in small gadgets and satellites, it has always been considered too expensive. Puri expects MBPV to change the paradigm. "In the mid-90s, it cost around $1.50 to generate one unit of energy (1 Kilowatt Hour) from solar cells. Thanks to some aggressive development in Japan over the last decade, generation costs in 2005 had come down to around 40-50 cents per unit. With further development, including some of the development being done by our scientists, we believe that these costs can come down further in the coming years," he says.

Puri knows exactly what he is talking about; solar energy is already becoming extremely popular in environmentally conscious countries such as Germany. "There are two major reasons, and none of them is tax breaks," Puri laughs. Reason #1: Solar energy is what he describes as "peaking energy. Energy consumption peaks at the middle of the day, and solar cells are most effective at the middle of the day," he explains. The second reason is that "traditional energy requires large plants to produce it efficiently—places known as 'well-heads'—yet transmission and distribution losses are massive even in the best of places by the time it gets to your socket. Photovoltaic energy is a 'socket-head', it is on the roof of your house," he adds.

A significant amount of the investment that MBPV has made has been in acquiring stakes in small solar-energy start-ups in an attempt to enhance its intellectual property portfolio. Puri says the three companies (Solaria, SolFocus and Stion, all US-based) are doing some path-breaking work in photovoltaic technology and they make a good fit for MBPV.

Yet, as Puri himself points out, solar energy hasn't taken off because mass production of solar cells has been a problem. MBPV's manufacturing plant will begin mass production by the first quarter of 2007-08, after which Puri expects costs of solar cells to further fall. Last year, the global photovoltaic industry was worth $6 billion (Rs 27,000 crore), and an advocacy group says that by 2010 the market will be worth $40 billion (Rs 1,80,000 crore).

"Do you know who one of the richest men in China is today?," asks Puri. The man in question is Shi Zhengrong (Seventh on *Forbes*' list of China's richest people with an estimated net worth of $1.43 billion or Rs 6,435 crore), who started the Wuxi-based Suntech, a giant in solar energy.

KUSHAN MITRA

SUMEET INDER SINGH

Moser Baer's Puri: Spotting solar energy

Go Forth and Multiply

Ad agencies are pitching for conflicting clients and how.

FIRST THERE WAS OGILVY & Mather (O&M). Then came David. And now you have Meridian and Dakshin. Welcome to the intriguing universe of multiple advertising agencies, where a second agency doesn't raise eyebrows and, these days, neither does a third or even speculation of a fourth. Time once was when JWT (then HTA) set the trend of a subsidiary agency by flagging off Contract Advertising in 1986. Today, Contract itself is an agency to reckon with, figuring in the country's Top 15. JWT has now

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BREAK THE PATTERN

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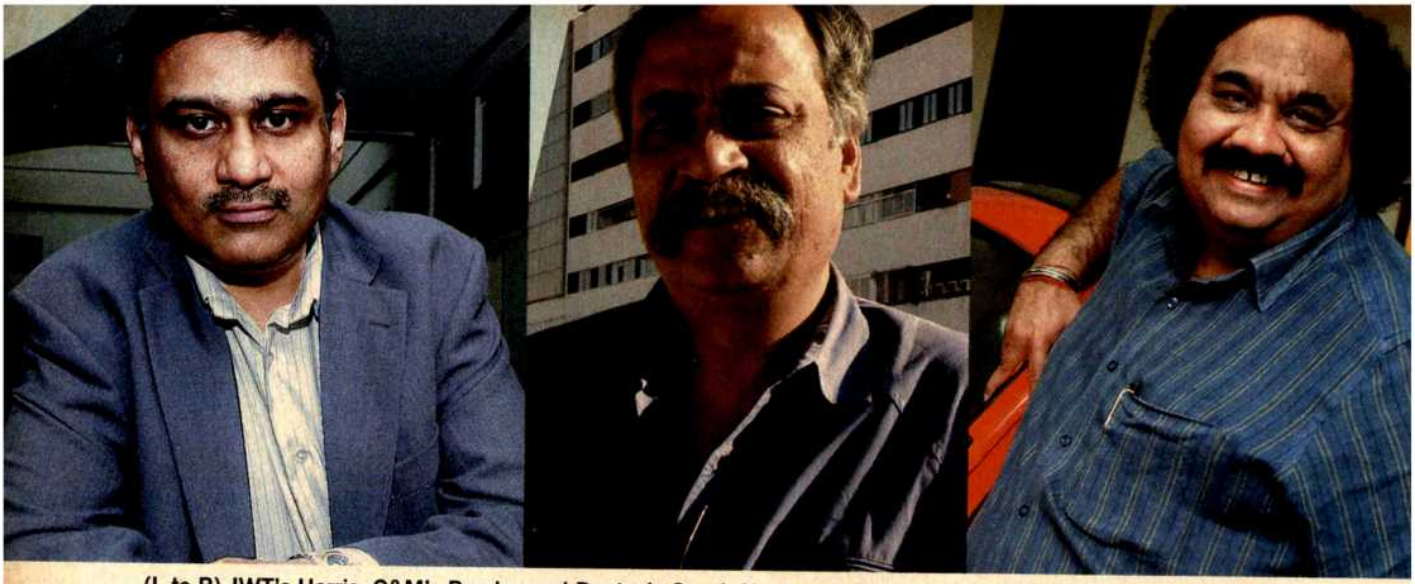

(L to R) JWT's Harris, O&M's Pandey and Dentsu's Goyal: Now, multiple agencies is the mantra

transformed Fortune, a financial services advertising arm, into a full-service agency. "It's a mainstream agency today," avers JWT CEO Colvyn Harris. "From a client's perspective, Fortune offers the credibility of a large agency and the nimbleness of a small agency," says Suranjan Das, Senior Vice President & Managing Partner, Fortune, which has a client base that includes Toshiba home appliances, Casio watches, Tech Mahindra and Chateau Indage.

The main reason for setting up another (or yet another) agency hasn't changed over the years: To be able to pitch for conflicting clients within the same product category. At a time when there is buoyancy in the economy and the advertising industry is registering robust growth (estimated at 13 per cent for 2006), agencies don't want to lose out because of a conflicting client clause. For instance, Dentsu's India operations comprise two agencies, Dentsu Communications and Dentsu Marcom, and in January a third, Dentsu Creative Impact, will be launched. Dentsu Communications handles the Toyota account and Dentsu Marcom is the agency for Honda cars. "There is a huge amount of business that can be tapped today. The way we see it, Dentsu Creative Impact will be a creative boutique," says Sandeep Goyal, Chairman, Dentsu India. The capitalised billings for Dentsu in India currently stand at around Rs 550 crore and Goyal is keen that he is among the top three players in five years.

But there are other provocations too. Take the case of O&M, where Meridian, Dakshin and David are all positioned differently. "We wanted to understand the nuances of south India which is why Dakshin was created. Dakshin has already done Fanta commercials in the South" says Piyush Pandey, Executive Chairman and National Creative Director, India & South Asia, O&M. "David excels in on-ground activities; Meridian is trying to handle B2B businesses and is currently doing work for Dockers," adds Pandey.

JWT's Harris acknowledges multiple agencies are influenced by "growth pressures," but that's not the only reason for a second or a third unit. "They also offer your people an avenue for growth," says Harris. JWT is open to having another agency though Harris is tight-lipped. "Yes, there are plans but these are at a development stage. We should be able to talk about it during the first quarter of next year," he says.

Yet, it's not as if subsidiaries are the only growth avenue. Consider the case of Mudra, which has two subsidiaries, Interact Vision and a more recent Canvas Communications. Madhukar Kamath, Managing Director & CEO, sees a number of possibilities for these agencies, and just one of them is a merger. "They could grow to a point where they might have two distinct identities or could be merged to form a large agency or they could even be aligned with larger Mudra units," says Kamath. For now, his priority is to make this Rs 1,000 crore communications group hit the Rs 1,500 crore mark. Clearly there are multiple routes to that goal.

KRISHNA GOPALAN

Hot Seat Just Got Hotter

Can *KBC III* rake in the ratings like before?

THE NEW YEAR WILL SEE THE WAR for eyeballs in television hot up with the return of *Kaun Banega Crorepati* (KBC). The third edition of the show will not undergo a drastic change in format but will have a new host in Shah Rukh Khan (Amitabh Bachchan anchored the earlier two editions). "The new KBC will essentially be the same except that Shah Rukh Khan will host the show. The prize money of Rs 2 crore remains the same," says

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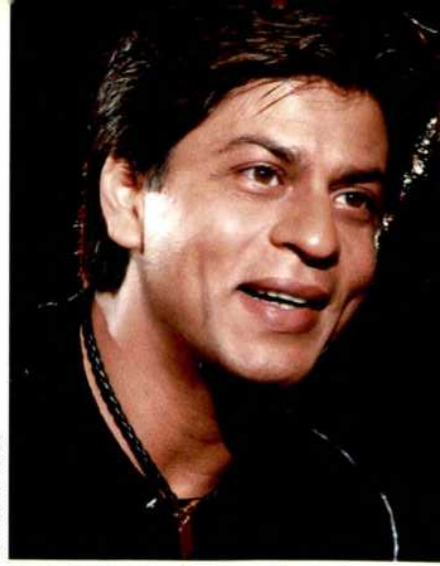
Sameer Nair, CEO, Star Entertainment India. The programme will be on air from Monday to Thursday at 9 p.m. on Star TV's flagship channel, Star Plus.

And if history is any indicator, the show is only likely to do better than its earlier editions. When first launched in the 2000, *KBC* took Star Plus' channel share from 2 per cent to 25 per cent in the 9-10 pm slot, according to a special study by TAM. On its comeback trail, in 2005, *KBC2* catapulted Star Plus' viewership from 10 per cent four weeks before the launch of the show to 38 per cent. In addition, towns in Madhya Pradesh, with a population of more than a million people, clocked TVRs of 38. The Hindi speaking belt struck a TVR of 20. Such TRPs have not been heard of since the days when DD's mythological serials like *Ramayan* and *Krishna* ruled the TRP charts. In addition, viewers also spent more time viewing the serial, according to TAM. In 2005, the average viewer in the metros was watching the episode for 35 minutes, up from 29 minutes in 2000.

The big difference, this time around of course, is the host. The question on every couch potato's lip is: Will Khan be as captivating as Bachchan? What's more, after a long time, Star Plus is facing a threat in the prime time 9-10 p.m. band from Zee TV. Once the ICC Cricket World Cup begins in February 2007, for which Sony has the rights, television viewership is expected to get further fragmented. Nair, for his part, appears to have it all worked out. "We are not concerned with the Cricket World Cup. Anyhow, most of India's matches are happening on weekends. We are really not concerned with what our competitors are doing," he quips. Meanwhile, the channel has admitted that it is talking to mobile service providers for brand endorsements for the programme. Star Plus also says the new show will feature the largest deployment of communication technology to ensure calls through landlines and mobile phones viewers get a chance to squeeze into the 'Hot Seat'. As for Shah Rukh



BHASKAR PAUL

Shah Rukh: Ready for small screen

Fresh Fuel for Reva

The car run on alternative fuel finds investors to fund growth.

DEEPAK G. PAWAR

Reva: Top gear

TWELVE YEARS AFTER CONCEPTION and five years after launch, a mere 1,800 Reva cars have been sold till date. That hasn't fazed two global investors, Draper Fisher Jurveston and Global Environment Fund, which last fortnight pumped $20 million (almost Rs 90 crore) of funds will help us to enhance our R&D activities as well as expand our market presence." He refuses to state what stake has been offloaded, but adds that "we are still the majority owners".

The company has unveiled its nextGen model to be launched commercially by end of 2007, called RevaNXG. It has better styling and a range of around 200 kilometres per charge. "With the fund infusion, we can expand our capacity to 30,000 cars per annum. We will have an operational break even by selling just 2,500 vehicles a year. Our aim is to become (operationally) profitable by 2007-

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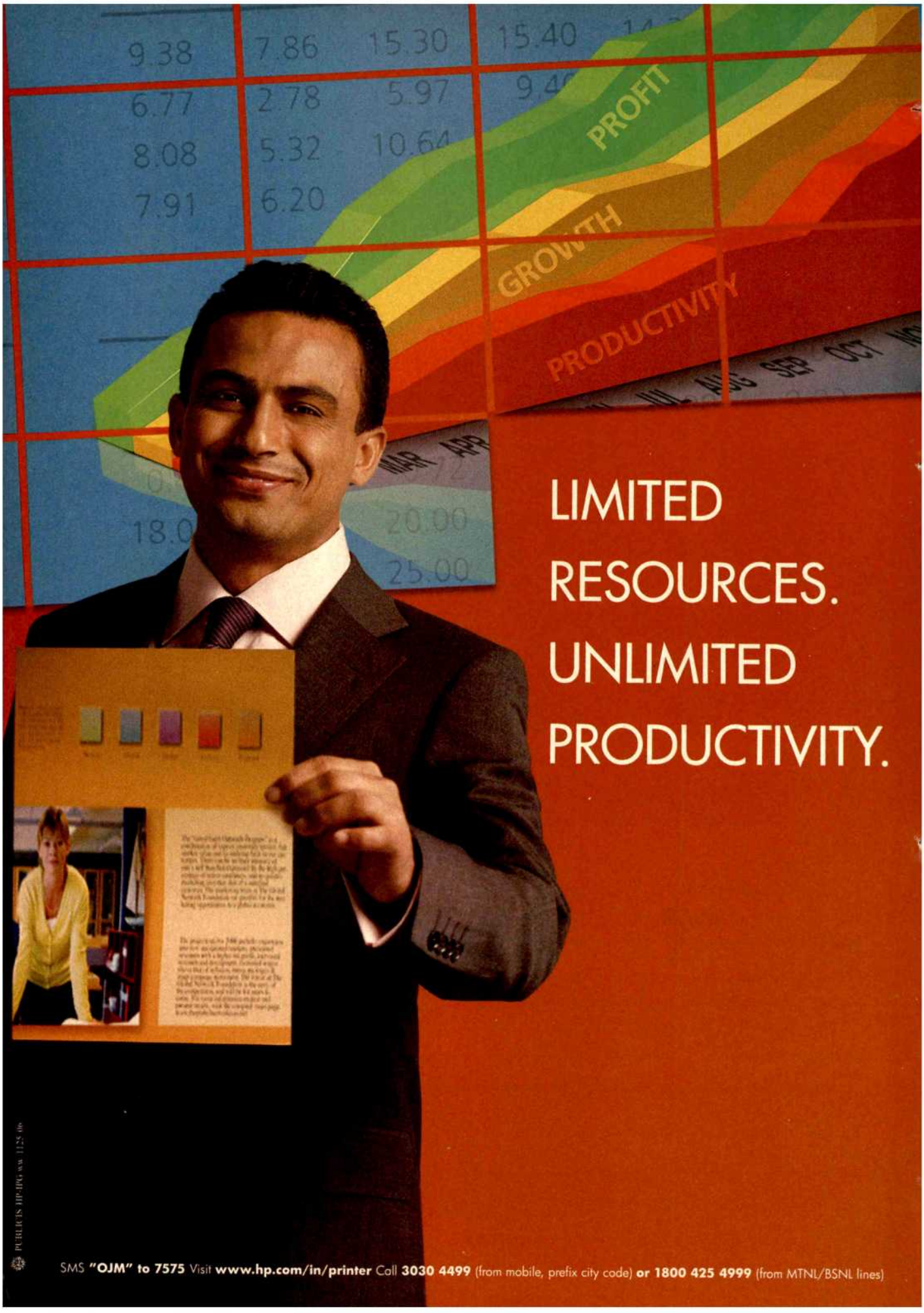

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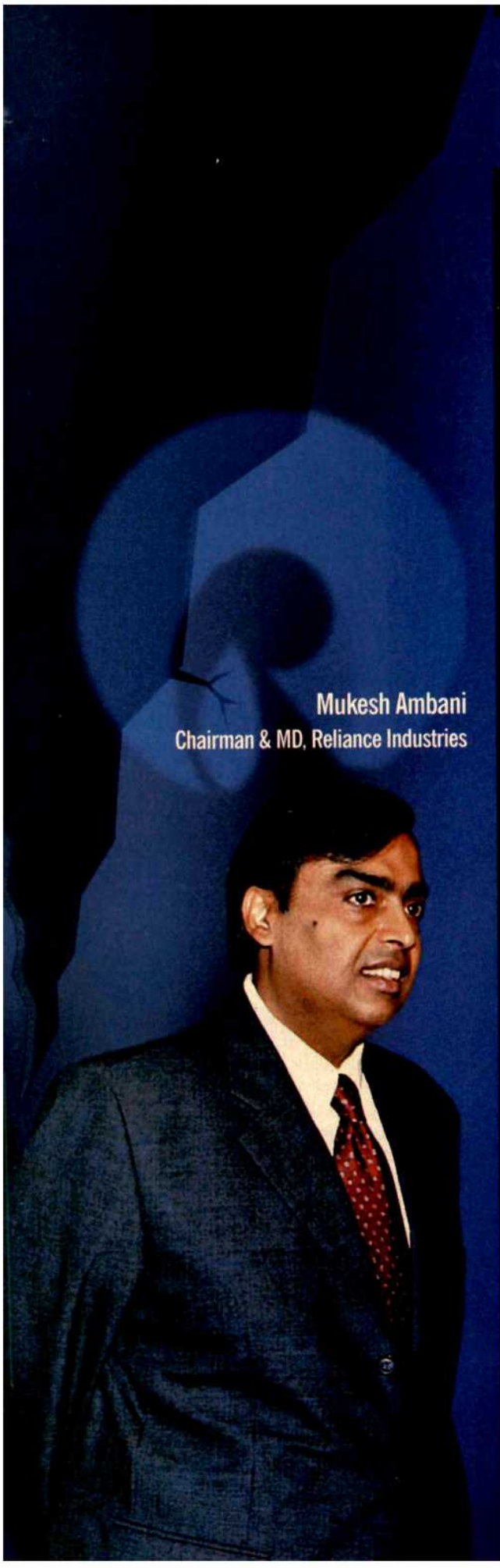
A BATTLE OF EQUALS

Reliance and Bharti-Wal-Mart have more or less equal strengths.



Mukesh Ambani
Chairman & MD, Reliance Industries

AMBITION

Reliance: Mukesh Ambani doesn't believe in being #2 in any industry. He will want to build the biggest and most successful retail empire in India.

Bharti-Wal-Mart: Sunil Mittal is the #1 in telecom and has teamed up with the world's largest retailer, which will want leadership in India as well.

FINANCIAL MUSCLE

Reliance: The group, which has about Rs 1,01,563 crore in annual revenues and a market cap of Rs 1,76,669 crore (Dec. 8), has announced plans of investing Rs 25,000 crore in retail. No one doubts Reliance's ability to raise money.

Bharti-Wal-Mart: Its revenues are much smaller at Rs 11,760 crore but boasts a market cap of Rs 1,20,000 crore. With Wal-Mart backing it in retail, the combine could easily match, or exceed, Reliance's investment plans.

CAPABILITIES

Reliance: Has superlative project management skills, and has hired top-notch retail professionals to run its various retail verticals. With Wal-Mart in, will likely move with greater speed over the next one year.

Bharti-Wal-Mart: Bharti already caters to 30 million mobile phone customers, while Wal-Mart operates 6,400 stores worldwide, playing host to 176 million customers every week. Also runs the world's largest private IT network to connect its stores and suppliers.

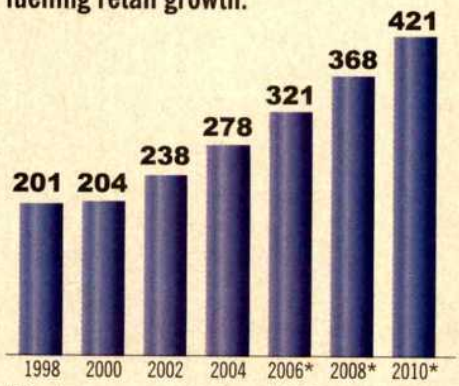
'ENVIRONMENT' MANAGEMENT

Reliance: Has tremendous clout within the political system, and is well considered by almost all political parties.

Bharti-Wal-Mart: Sunil Mittal's father, Sat Paul Mittal, was a Congress MP, and the Mittal family continues to have the goodwill of the Congress party, although Mittal has friends in BJP as well.

India's Retail Landscape

Rising incomes and increased consumerism are fuelling retail growth.



*Estimates

Figures in $billion show retail growth
Source: Retail in India – A CII-AT Kearney report

Not so Modern

Food & groceries, the biggest category, has the lowest organised retail penetration.

Figures in per cent show catageroy-wise retail market share & organised penetration (total retail) ■ Market share (organised) ■ Penetration (organised retail) ■ Market share

GRAPHICS BY PINAKI PAUL

India's entire retail market, fighting tooth and nail for the most attractive retail destination in the world at a time when its own topline (for November) has declined for the first time in 10 years, and it is pulling out of key global markets such as Germany and South Korea. In other words, this fight will be about a Rs 14,40,000-crore market, where just about 3 per cent share belongs to organised players and which is growing at 8 per cent annually. "There's no doubt that the two players are equally matched and could transform the retail landscape as we know it today," says Arvind Singhal, Chairman of Delhi-based consultancy, Technopak.

A Clash of Titans

One big reason why Indian retailing will never be the same again is the money the two players will likely invest. As mentioned earlier, Reliance, which did not wish to comment for this story, plans to invest Rs 25,000 crore in everything from warehouses to reefer trucks to stand-alone hypermarkets to aircraft and airports (yes, you read that right; more about it in a bit). While the Bharti-Wal-Mart combine (call it Bal-Mart) hasn't disclosed its investment plans, it's reasonable to assume that given its ambition, it will need to invest at least as much as Reliance. Agrees Ravi Deol, head of Bharti's retail operations: "The investment in back-end will be close to what Reliance is talking about."

What sort of a retail model will the Bal-Mart build in India? The most obvious part is already known: The back-end, which means supply chain management, will be run by an equally-owned Bharti-Wal-Mart joint venture. The front-end will be fully owned by

A. PRABHAKAR RAO

SIPRA DAS

Competition's hotting up: Reliance Fresh represents the 'unbundled supermarket' concept

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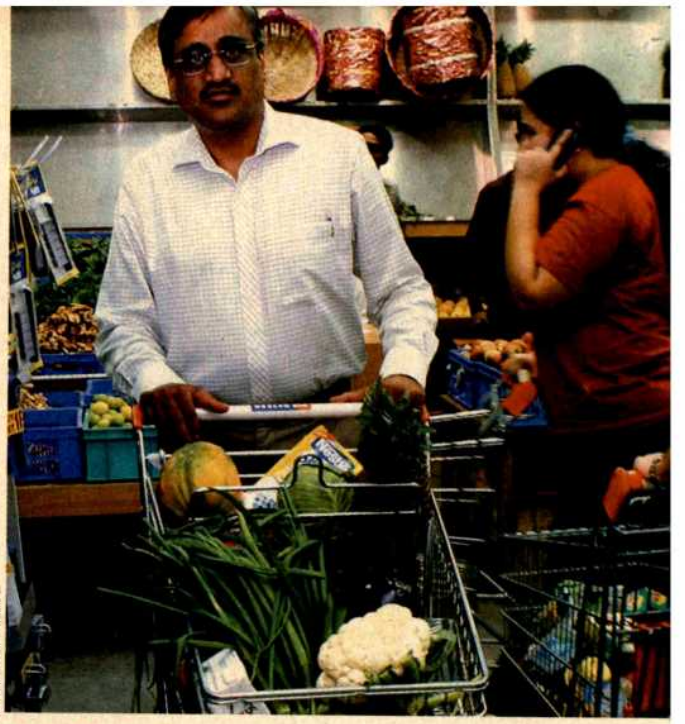
The Organised Retail Pie

Figures in per cent show category-wise share in organised retail
Source: CII-AT Kearney report



BHASKAR PAUL

Kishore Biyani/ CEO/ Future Group

India's best-known hypermarket (Big Bazaar) will likely bear the brunt of Reliance and Bal-Mart's fury. For now, it plans to open more stores

Bharti, thus, steering clear of foreign investment rules that bar foreign investors in retail, unless they are single-brand stores or wholesalers. "We will be pan-India and do all formats, ranging from hypermarkets to neighbourhood stores," says Rajan Mittal, brother of Sunil and the company's joint MD.

He won't offer further details, but if you want clues to Bal-Mart's India strategy, just look at Reliance Retail. Why? When you want to be the #1 or #2 retailer, there aren't too many routes you can take to the top. In India, that would mean 'every day low prices'—at least in categories where brand isn't a decisive factor. And the single-biggest category in the country is food and groceries, which accounts for three-fourths of the overall retail market (see *Food & Groceries...*). The only way to keep costs low is to have volumes and a supply chain that purrs like a Lexus.

According to people familiar with Reliance's retail strategy, the company will launch three broad formats:

THE SINGLE-BRAND OPPORTUNITY

Starbucks and several other single-brand retailers will now enter India.

JUST AS SURELY AS TESCO AND CARREFOUR WILL FOLLOW Wal-Mart into India, the single-brand retailers will make a beeline too. Unlike the multi-brand retailer, where front-end foreign investment is barred, single-brand chains can own up to 51 per cent in their India ventures. Until now, brands such as Marks & Spencer, McDonald's, and TGIF have been operating in India through franchisees. The problem with such a model is obvious: how fast a chain is able to grow is dependent on the depth of the franchisee's pocket, and his ability to take losses for the first few years. Therefore, except for a few successful single-brand retailers such as McDonald's, most others have not been able to go beyond a handful of cities.

But now, investors like Starbucks will have the confidence to come in with majority ownership. They will be able to partner with relatively large companies that are keen to get a piece of the retail market but don't have a strong brand of their own. While that will mean another retail segment, comprising the Baristas and Café Coffee Days, coming under foreign competition, it will also result in diversification of the organised retail market. Currently, clothing, textiles and fashion accessories account for 40 per cent of organised retail, while other categories such as jewellery and watches, and footwear account for 7 per cent and 9 per cent, respectively. Allowing single-brand chains majority ownership is a small concession the government has made, but it will have a profound impact on the supply chain.

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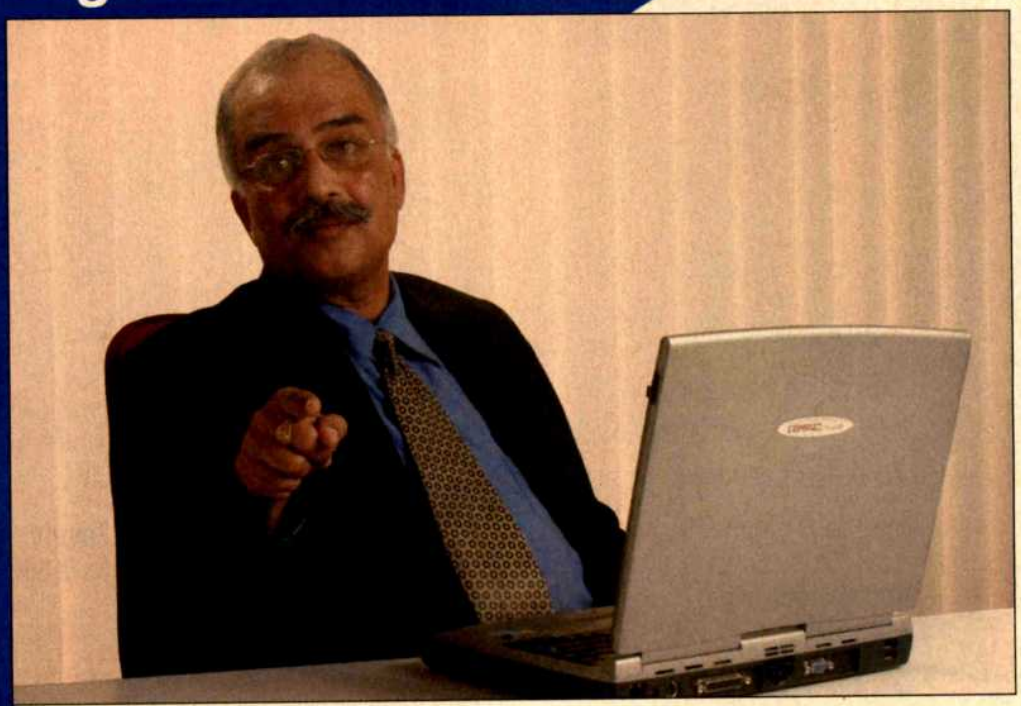

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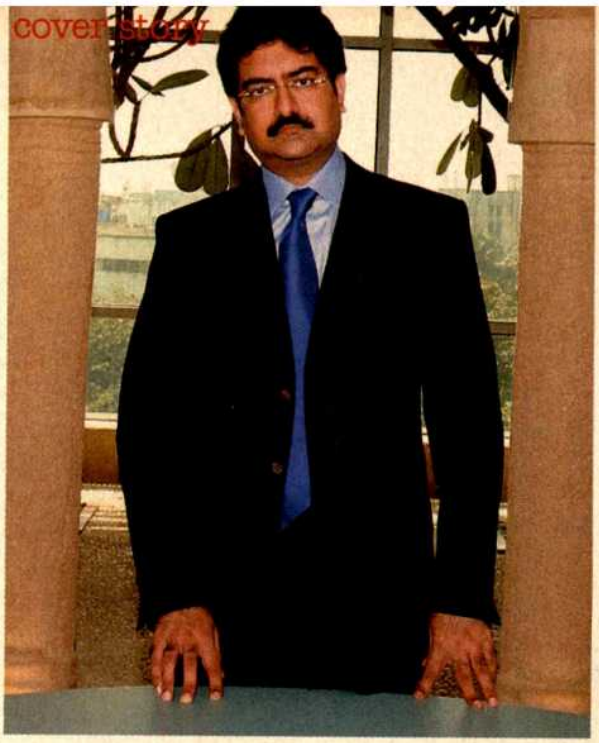
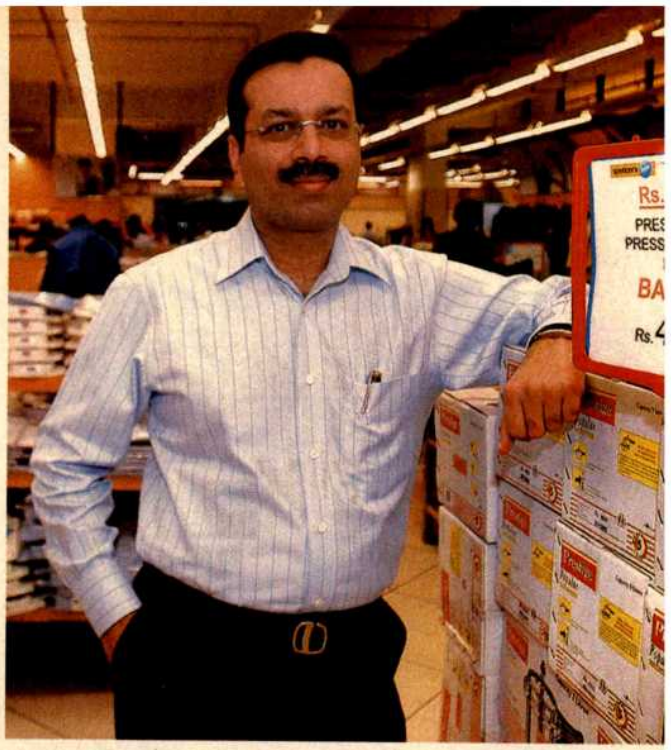


BHASKAR PAUL

Kumar Mangalam Birla/ Chairman/ Aditya Birla Group

Has also announced plans of entering retail, but may choose to operate in select categories. Just the same, has big investment plans



Sanjiv Goenka/ Vice Chairman/ RPG Enterprises

He's looking at 1,900 food stores (against the 110 today) and an investment of Rs 1,000 crore over the next three years

large supercentres or hypermarkets, mid-size hypermarkets, and neighbourhood stores, the idea being to capture both the daily spend and monthly spend of a typical consumer. The neighbourhood stores will be interesting to watch because they could be, what Technopak's Singhal calls, "unbundled supermarkets"—that is, stores focussed on specific categories such as vegetables and fruits (think Reliance Fresh), and dry grocery, with or without personal care.

Moving into neighbourhoods, of course, poses a problem. Zoning laws apart, good properties are hard to come by and there's always the neighbourhood store to compete with. But guess what? Reliance may not end up competing with the neighbourhood stores—at least, not those that are, say, 3,000 sq. ft big. Instead, such stores would want to become Reliance franchisees. Reason: better returns on investment. As the neighbourhood store stands today, it is severely disadvantaged: it doesn't have economies of scale, quality or great shopping environment, or a compelling product mix. Most of them don't handle fresh produce because the wastage is too high. Now, consider a scenario, where someone like Reliance comes in and says, "Mr Grocer, I'll double your return on investment, take the headache of supply chain and store management away from you, but let you sit at the till just like before because your social standing within your community is important to you." Which grocer, do you think, will say no to a proposition such as this one?

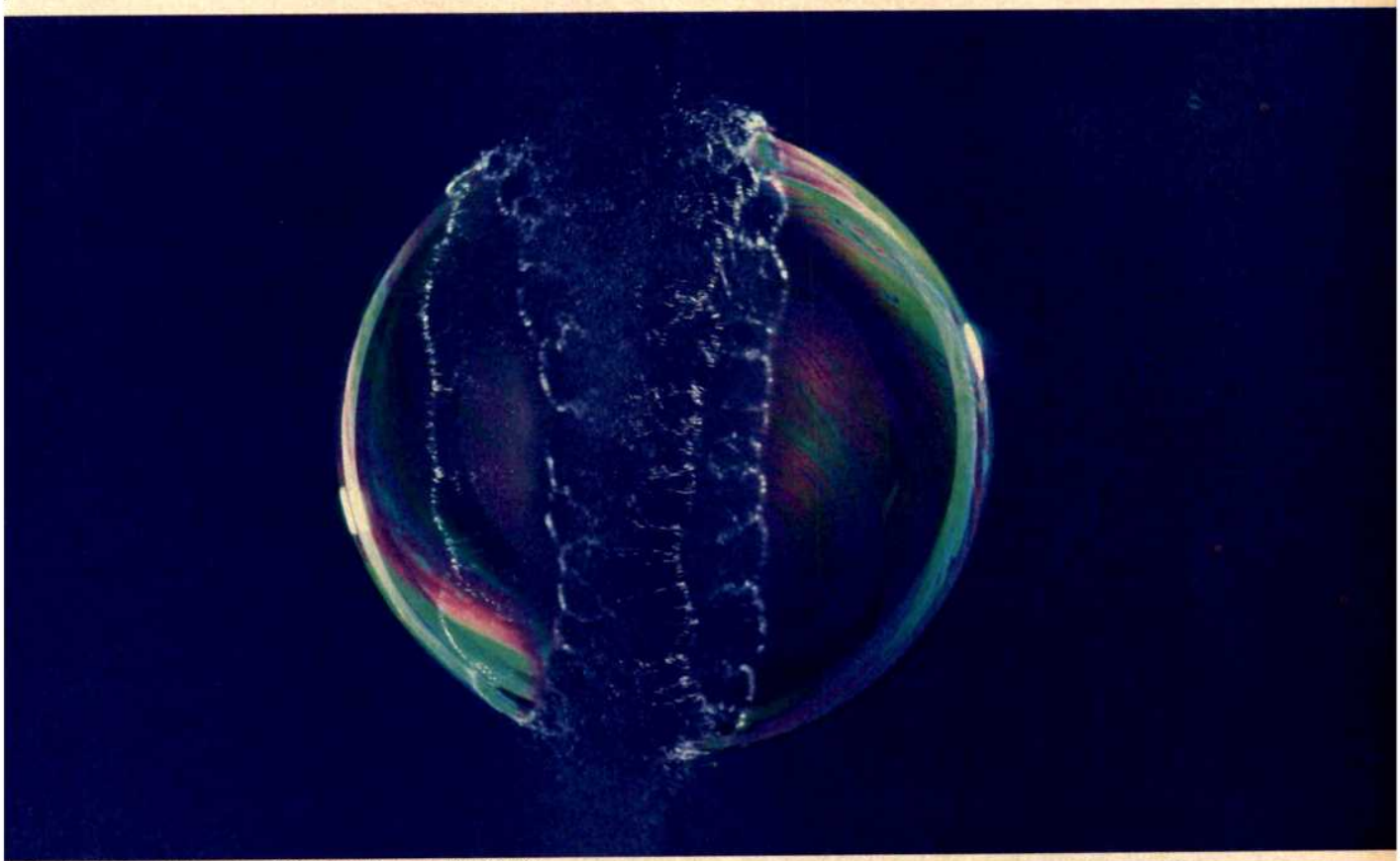
Stretching this analogy a bit, it may even be possible for someone like Reliance to turn *kirana* stores (250-300 sq. ft in size) into, say, regional cooperatives, where Reliance becomes their faceless supply chain manager for a fee. Happy Commies, happy Reliance. Jokes apart, at least for the next several years, India will continue to have consumers—especially in smaller towns—who are more comfortable shopping at *kiranas* rather than supermarkets. No wonder, then, Reliance is being approached by at least a couple of microfinance institutions (MFIs) to sell to the poorest of poor. Under this arrangement, Reliance won't be paid by its poor customers but by the MFIs, which in turn will recover the money from their clients—in installments. At one stroke, Reliance's retail plans will move to an entirely different level. Bharti-Wal-Mart, then, may have no choice but to follow suit or, indeed, do better.

It's All About Scale

Some critics say that Reliance's investment plans are only market signalling, since retail isn't very capital intensive—stores are typically leased and the inventory has supplier credit, which means the retailer recovers the money even before he has paid his supplier. Well, the critics are wrong—not about the negative working capital bit, but about Reliance's intentions. The most important thing to understand about retail is that the back-end is often more critical than the front-end; there's no point in running stores that don't have

Canon

Catch the bubble as it bursts



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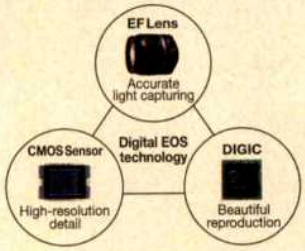

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"FEARS OF BACK-DOOR ENTRY ARE COMPLETELY UNFOUNDED"

SPEAKING ON BEHALF OF THE RETAIL GIANT, WAL-MART'S *Director of International Corporate Affairs,* **Beth Keck,** *defends the retailer's entry strategy. Excerpts from an e-mail interview:*

Wal-Mart had been talking to several companies in India for a possible tie-up. What were the reasons you settled for Bharti?

Bharti, with its deep knowledge of India's fast growing consumer market, and Wal-Mart, with its extensive global retail experience, share the same commitment to building relationships with producers in order to provide great quality at reasonable prices to consumers every day. We are pleased that our discussions with a well-respected company like Bharti have progressed to a stage where we have a Memorandum of Understanding to jointly explore opportunities in the retail sector, strictly within the law and fully compliant with existing guidelines.

Checking in: Wal-Mart has met its match in global markets

The 'two-stage' deal is being described by some as a back-door entry into the Indian retail industry.

We would like to reassure our critics that Wal-Mart has every intention of not only doing things right, but also doing the right thing. The front-end will be fully owned and operated by Bharti. It is Bharti's intention to set up retail stores in different formats as per its own market research. Wal-Mart cannot and will not own these stores. Therefore, the fears of a back-door entry are completely unfounded and not based on the facts. In line with what is permitted under existing guidelines, Wal-Mart will focus on the back-end supply chain management, giving Bharti access to our proprietary knowhow in logistics and retail chain management, for which Wal-Mart is renowned worldwide.

What will be Wal-Mart's investment in the JV? Is there any clause in the deal that allows Wal-Mart to increase its stake once retail is opened up to foreign investors?

Our approach is that this is a partnership between equals. It is still early days as we have only just begun our discussions with Bharti. As you will appreciate, these discussions are bound by a confidentiality agreement. It would, therefore, be inappropriate to discuss any details of our discussions till a decision has been formalised. We remain committed to being open and transparent and an announcement will be made once a decision has been formalised, just as we were open and transparent in announcing our MOU with Bharti as soon as it was formalised.

Given that Wal-Mart hasn't been very successful outside of the US, what makes it confident about the India foray?

First, let me clarify that contrary to what you have said, Wal-Mart's operations outside the US are in fact very successful. We serve more than 49 million international customers weekly in 13 markets outside the US. For the financial year ending January 31, 2006, we had revenues of $62.7 billion—an 11.4 per cent increase over the previous year. Operating profit was $3.3 billion, an increase of 26.1 per cent compared to the previous fiscal year. With respect to the markets we recently exited (Germany and Korea), these were strategic business decisions that allow us to increase our focus and resources on expanding our position in core markets and emerging markets like India. With Bharti, we believe that we can best leverage Wal-Mart's experience and expertise to partner with suppliers—farmers and producers—to provide efficient linkages between the supplier & producer to the end-consumer. We would also like to leverage our global scale to transform these suppliers into exporters.

Whom would Wal-Mart call competitors in India?

India offers tremendous scope for growth and there is enough room for several retail companies, so our focus will be to partner Bharti in maximising efficiencies to provide efficient linkages between the supplier and the producer to the end-consumer.

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Education

Rs. 10 Lakhs

Inspire needy children to achieve new heights by equipping their school with classrooms, laboratories and furniture!

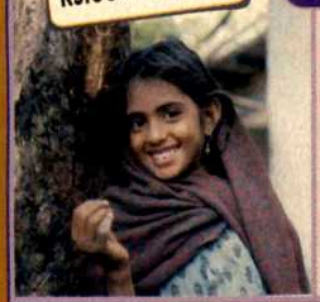
HOPE

Gift hope to children infected and affected by HIV and AIDS. Nutrition, medicines and after-care will help these children win the battle for their lives!

Rs. 2 Lakhs

Child Sponsorship

Rs.600 every month



Sponsor needy children and gift them with access to good education and basic health. You would also be providing their families with economic assistance and helping transform the entire community.

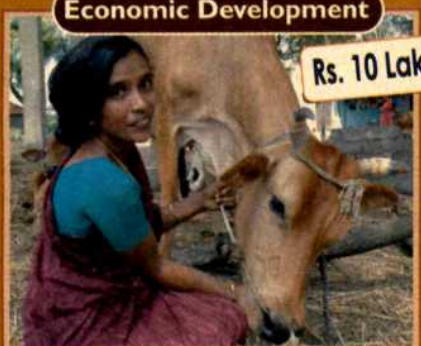
Micro-finance

Rs.6 Lakhs

Set needy families free from the bondage of money lenders and help them to sustain their petty businesses with soft loans.

Economic Development

Rs. 10 Lakhs



Equip poor families to stand on their own feet and help them in their struggle against poverty and dependence.

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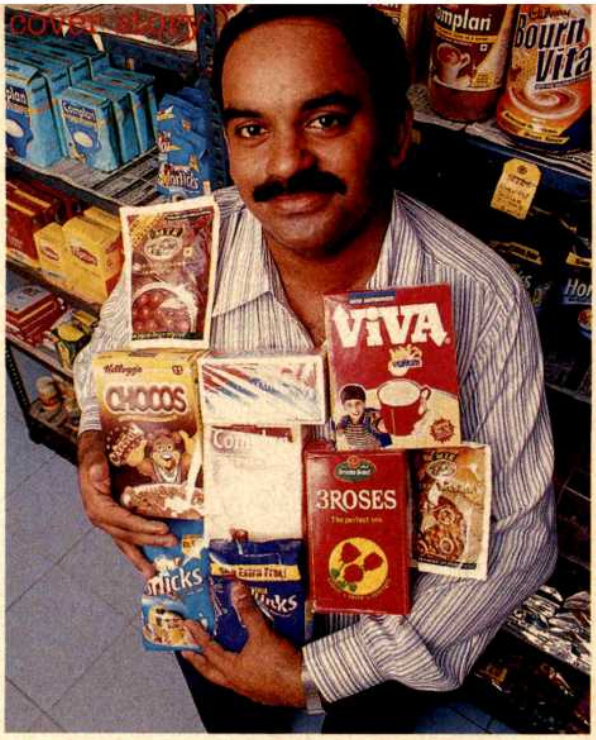
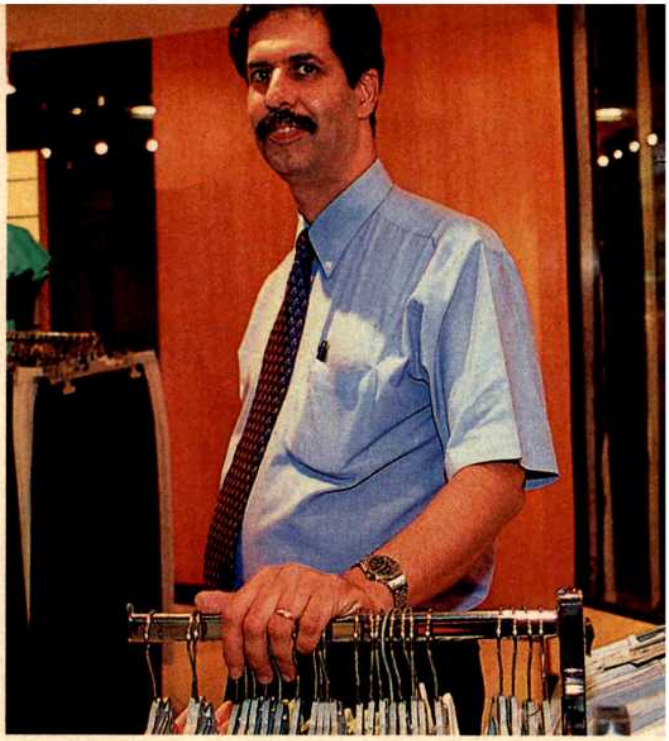


G. KRISHNASWAMY



R. Subramanian/ MD/ Subhiksha Trading Services

This southern retailer is moving north. But it would have already sold out to Reliance Retail, but for a disagreement over valuation

Noel Tata/ Managing Director/ Trent

The Tata Group—a big player with Westside and Landmark—has lined up investments in its existing formats. It might also bring in Tesco

what consumers want and when they want it. The name of the game is high throughput because margins are relatively thin. Ergo, "the company will have a pan-India footprint, covering 1,500 cities and towns and embracing all strata of society," Reliance's Chairman and Managing Director Mukesh Ambani told the company's shareholders not too long ago.

Let's run some back-of-the-envelope calculations and see if Reliance will indeed need Rs 25,000 crore. Let's start with hypermarkets. As *BT* understands, Reliance Retail is targeting about 1,000 hypermarkets (besides 3,000 supermarkets and hundreds of specialty stores), which could be more than 100,000 sq. ft each in size. That works out to 100 million sq. ft. As a thumb rule, a no-frills hypermarket needs about Rs 400 per sq. ft to construct and another Rs 400 per sq. ft for interiors and fixtures. So, that alone works out to Rs 8,000 crore. Throw the land cost in, and the number could jump by 50 per cent.

Some of you may be wondering why Reliance would want to own the land its hypermarkets sit on. Good question. Once again, the answer is cost. No doubt, initial investments will be high, but it will freeze Reliance's 'rental' cost and even allow it to drive it down further by drawing tenants that fit in with the retail experience—say, banks (ATMs) or beauty salons. At the back-end, too, Reliance seems to want to own its warehouses, (reefer) trucks, and planes. Apparently, the company has either acquired certain defunct airports or got permission to land its cargo planes at several airports. Given the scale of its plans, two other things could happen: Reliance becomes the largest fleet operator in India and also the largest credit card issuer (that explains why it hired American Express' India boss, K. L. Muralidhara, in July this year).

Coming to specifics, having launched Reliance Fresh in Hyderabad (the first store opened on November 2), the company has planned roll-outs in Delhi, Rajasthan, Gujarat and Chennai over the next six to eight months. The progress in Madhya Pradesh, West Bengal and Mumbai has been a little slow and the launch of Reliance Fresh in these places could be slightly delayed. The priority for the moment seems to be on getting the supply chain in place across all its verticals, including lifestyle, consumer durables/electronics and apparels. "The company is working towards the launch of its hypermarkets, which will initially come up in Ahmedabad and Jamnagar," says a person familiar with Reliance's plans. To be christened Reliance Mart, the first one may open in April 2007.

BT also learns that Reliance has finalised a name for its consumer electronics/durables chain, Reliance Digital. Apparently, these will be large stores covering 20,000-40,000 sq. ft and offer in-store brands (or private labels) in addition to popular brands. The first set of Reliance Digitals may open in Karnataka, Gujarat, and the national capital region (NCR). One thing seems evident: by the time the first Bal-Mart rolls out in

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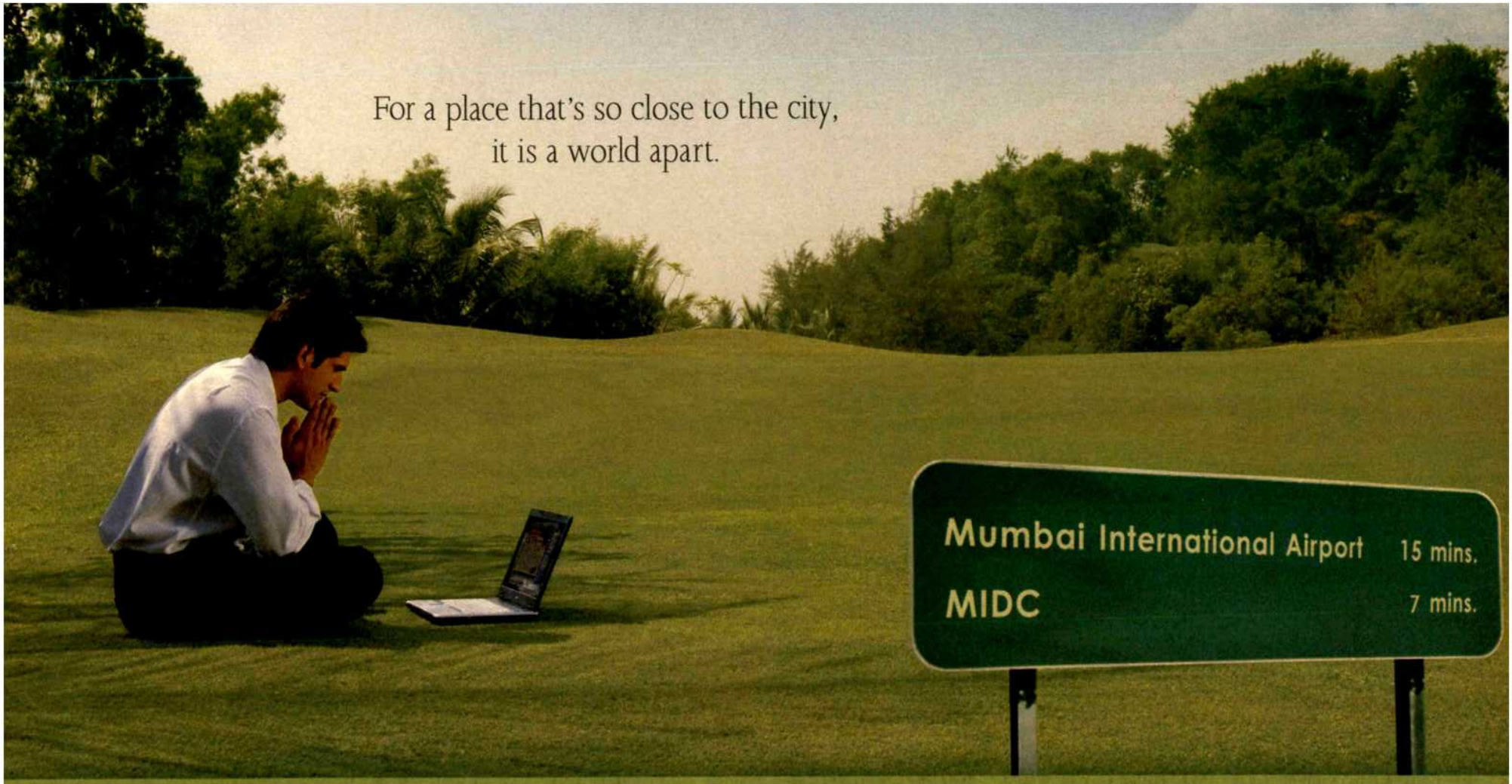

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another year or so, Reliance Retail will have opened several stores under different formats. And when the entire Rs 25,000 crore is invested in, say, five to 10 years, Reliance Retail could be a Rs 75,000-crore company. The calculation is based on Wal-Mart's asset-turnover ratio (total assets of $138 billion, or Rs 6,21,000 crore, and net sales of $312 billion, or Rs 14,04,000 crore), except that given India's higher population density, we have increased the multiple to 3, compared to Wal-Mart's 2.26.

What Happens to Competition?

India's organised retail, although less than Rs 45,000 crore in size, already boasts of several players, and

VIVAN MEHRA

Safe for now: Smart positioning could help Shoppers' Stop

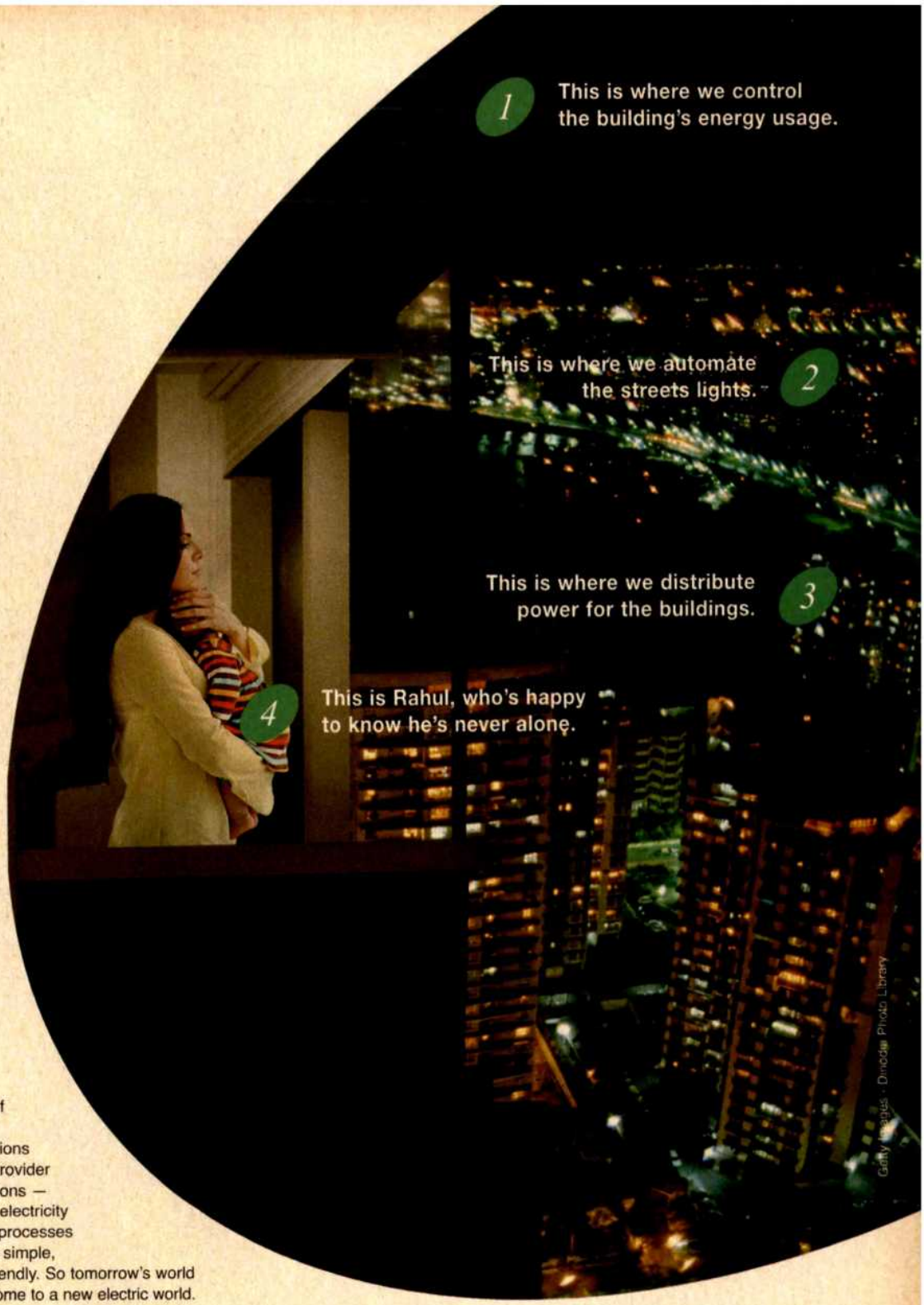
different formats and categories. The big players are Future Group (Big Bazaar and Pantaloon) of Kishore Biyani, the Tata Group (it runs departmental stores under Westside, a books and music chain called Landmark, hypermarket Star India Bazaar, and a consumer durables chain christened Croma, in a tie-up with UK's Woolworths), Sanjiv Goenka's RPG Group (FoodWorld and Spencer's), and Dubai-based Micky Jagtiani's Landmark Group (Lifestyle). That apart, there are several smaller players, including Subhiksha, Trinetra, and Nilgiri's. Most recently, the Kumar Mangalam Birla-led AV Birla Group has announced plans of entering retail.

The response from incumbents to impending competition has been feverish. "We are going about our expansion process and should have a total of 30 million sq. ft by 2010 from 4 million sq. ft now," says Future Group's Kishore Biyani. Big Bazaar, his flagship hypermarket brand, plans to up count from 40 stores to 100 by 2007. RPG Group's Goenka wants to have 1,900 food stores by 2010, compared to 110 today. RPG also has 200 music stores. "We are looking at an investment of Rs 1,000 crore over the next three years," says Goenka. The Tatas, too, have lined up investments in their existing formats, besides which they might still bring in Tesco on the rebound. (Bharti, it seems, wasn't happy with Tesco's scale of ambition for India). Tesco, however, told *BT* that "we remain excited by the opportunities in India and continue actively to review how best we might enter the market". Others like Carrefour may also follow.

So, who gets hurt and who survives? Actually, the market may be large enough for several large players; both Ambani and Mittal have put that figure at six to seven. Wal-Mart, despite its gigantic size, has only 8 per cent share of the American retail market (although, it has 20 and 22 per cent shares, respectively, in groceries and toys). "There's room for many, many players," says Technopak's Singhal. Yet, if you were a retailer like Big Bazaar, FoodWorld or even Subhiksha, you should be worrying. At the hypermarket end, a Big Bazaar or Spencer's would be hard-pressed to match the financial muscle or back-end skills of a Reliance or Bal-Mart. "Wal-Mart's biggest strength is in non-food categories, so they may not do food in the hypermarket format," thinks R. Subramanian of Subhiksha: Just the same, a Subhiksha must worry about losing its neighbourhood store franchisees to bigger players offering better returns.

As a result, some of them would want to sell out. Subhiksha, for instance, would have sold out already to Reliance Retail but for a disagreement over valuation. A Nilgiri's, where there are multiple promoter-owners and a private equity investor (Actis), will also want to cash in while the going is good. With the bigger players learning the ropes and opening stores every day, the window of opportunity for the smaller players to sell out will begin to close. That's something Gautam Adani must have realised when he decided to sell his Gujarat-based 50-store chain to Reliance for a reported Rs 100 crore. Reliance, on its part, must have considered the entry cost and time before agreeing to pay the price.

The chains that will have less to fear will be the Westsides and the Shoppers' Stops. Just like Macy's and Bloomingdale's, they will be less 'mass market' and, therefore, not in the crosshairs of a Bal-Mart or Reliance. That said, every retailer in the country will have to go back to the drawing board to find niches where they can survive. The really big fight may be between Reliance and Bal-Mart, but there will be plenty of sparring among the others as well. These are fights that will leave the industry looking very different from what it is today. ■



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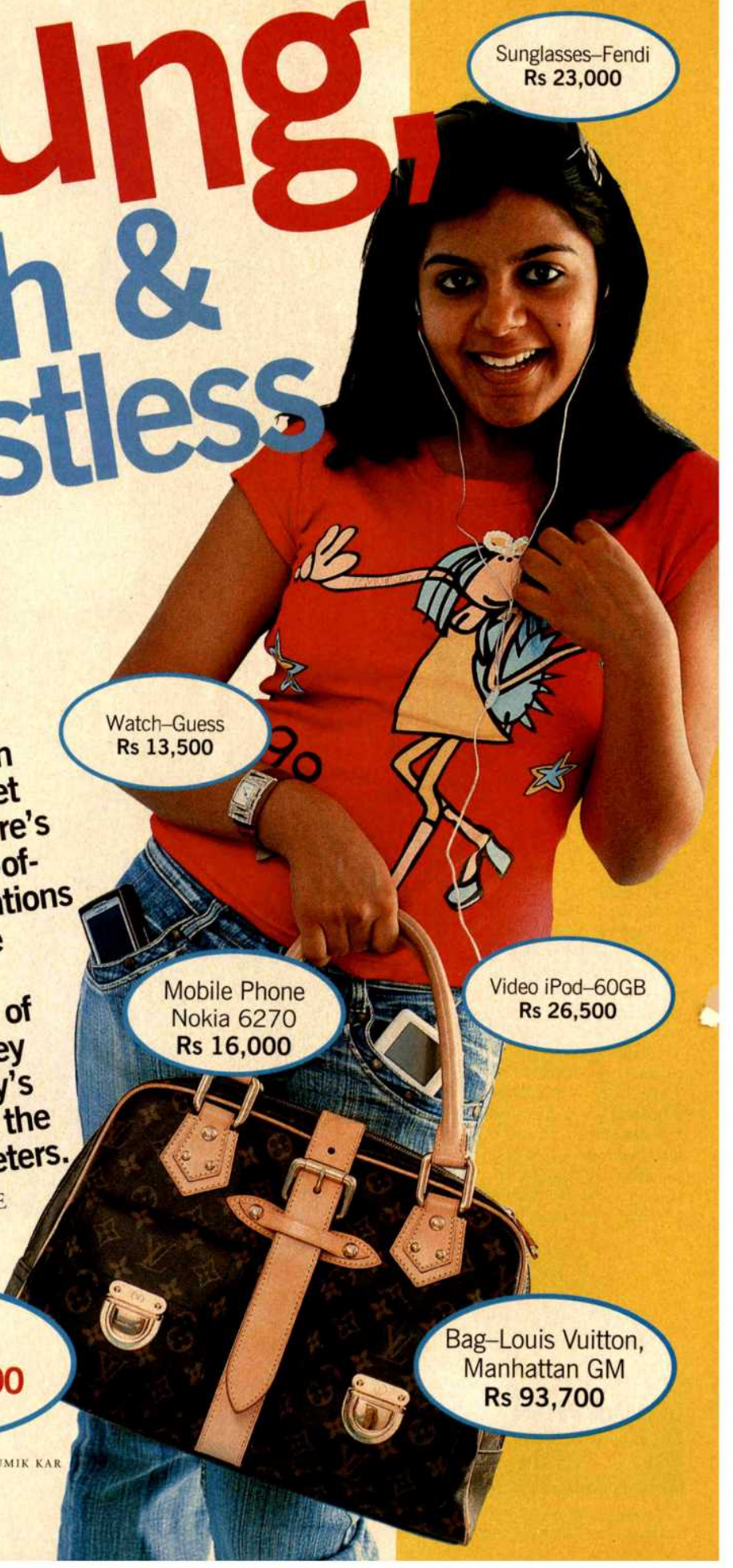
Young, Rich & Restless

Seduced by luxury brands and armed with a pile of riches salted away by their working mothers and fathers, roughly 40 million Indian youth in the 15-21 age bracket are splurging like there's no tomorrow—back-of-the-envelope calculations reveal they could be spending close to Rs 1,90,000 crore of their parents' money every year. Nobody's complaining—not the parents nor marketers.

DEEPTI KHANNA BOSE



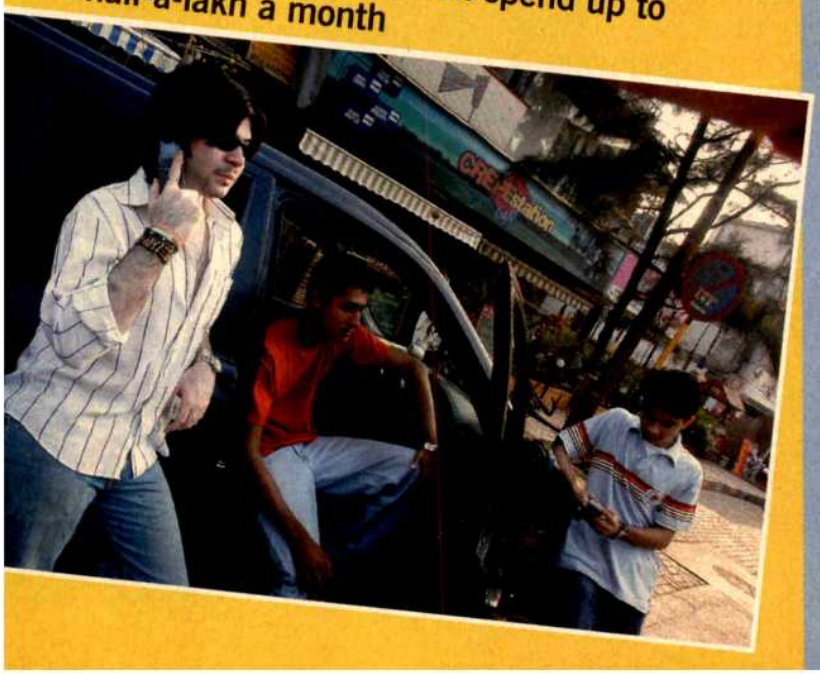
PHOTOGRAPHS BY SOUMIK KAR

AASHIMA BAGCHI'S HANDBAG IS A TREASURE TROVE of sorts. Jostling for space are a 60GB Video iPod (cost: Rs 26,500) in its Multicolore canvas Louis Vuitton case (approximately Rs 12,600), a Nokia hand-held N93 (Rs 35,000), a cosmetics case (without a single home-grown brand in sight), a Guess wallet (Rs 4,600) and a host of other knick-knacks. The bag itself is a large fawn, floppy faux leather number from Nine West (Rs 4,900). That's a cool Rs 90,600 and a bit, slung around the crook of a slim little arm. And that's just the handbag. Strapped to her right wrist is a Guess timepiece (Rs 16,000), her left wrist sports a Swarovski bracelet, and the index finger a matching ring (Rs 18,900 for both). That's a neat Rs 1,25,500, not counting her designer duds, footwear and what one could only term as 'unmentionables'.

So what is so special about Aashima Bagchi? Nothing much actually, except that she's just your regular 17-year-old from a regular family of working white-collar professionals, and not the daughter of a diamond merchant or a builder or the third or fourth generation of a dyed-in-the-wool family business house, as her splurging habits may suggest. Bankrolling her shopping binges are: Her father, Deepak Bagchi, who has a Master's Degree in Economics from St. Xavier's College, Mumbai, and who has spent the last decade-and-a-half as an airline pilot, first with Indian Airlines and, more recently, with Air India; and her mother, Kamala Bagchi, who holds a fairly senior position in the planning division of a Mumbai-based media buying house.

Head south to Bangalore, where Alisha Furniturewalla, 19, a management student at Bangalore's Mount Carmel College, is contemplating her next round of prospective possessions. "I will buy a pair of shoes for Rs 200 for college and throw it away in a month and just as easily buy a designer *kurta* for

Believe it or not: Some WCRRs in Delhi and Mumbai (below) can spend up to half-a-lakh a month



THE BRANDS THEY LOVE

CLOTHING

- **GIRLS:** Abercrombie & Fitch, Zara, MNG, Guess, Tommy Hilfiger, Diesel, Benetton, Promod
- **BOYS:** Armani Exchange, Banana Republic, FCUK, Replay, Von Dutch, Diesel

ACCESSORIES for Girls

- **BAGS & WALLETS/ PURSES:** Nine West, Aldo, MNG, Louis Vuitton, Guess
- **SHOES:** Nine West, Aldo, MNG, Converse, Sketchers
- **WATCHES:** Swatch, Guess, Swarovski, Tommy Hilfiger

ACCESSORIES for Boys

- **SHOES:** Converse, Nike, adidas, Reebok, Sketchers, Diesel
- **WATCHES:** Tommy Hilfiger, Calvin Klein, Fossil, Swatch, Tag Heuer, Diesel

DEEPAK G. PAWAR

BANGALORE

ALISHA FURNITUREWALLA (19)

She's got a thing for footwear and pretty much anything else money can buy.

MEN WALK INTO A MALL FOR one blue sweatshirt and then leave ... we can go for something and spend hours browsing for something completely the opposite," says Furniturewalla, a management student at Bangalore's Mount Carmel College. She owns some 70 pairs of heels and is considering a Rs 6,000 outfit for New Year's. "I will buy a pair of shoes for Rs 200 for college and throw it away in a month and just as easily buy a designer *kurta* for Rs 30,000 from FFolio (a trendy designer wear store)," she says. For the guys, Garuda Mall is a big draw as is ITPL, which houses a mall and a café.

Rs 30,000 from FFolio (a trendy designer wear store)," says Furniturewalla, who at last count owned some 70 pairs of heels. She's also considering forking out Rs 6,000 for an outfit for New Year's. "Men walk into a mall for one sweatshirt of a specific colour... we go for something and then spend hours looking for everything else," she grins. Still in Bangalore, after college you can find Apachu Pooviah, an 18-year-old engineering student at CMRIT, hanging out with his friends at the International Tech Park Ltd (ITPL), which apart from housing some of the biggest IT companies, also houses a mall, gym, restaurants and a Coffee Day outlet. "ITPL is very close to college so that's a great hangout option. Otherwise we spend a lot of our free time at the Garuda Mall, where we can catch a movie and do some window-shopping," he says. Unlike the girls, Pooviah has a specific aim in mind when he sets out shopping. "I usually plan to buy a pair of trousers or a sweatshirt when I do go shopping... I prefer reputed brands such as adidas, Nike, and Reebok as far as sportswear goes," Pooviah says. "We've played the latest computer games and watched the latest movies as soon as they've opened thanks to the internet and peer-to-peer networks... this also means our music selection is very diverse and goes from the latest hits from Ludacris to evergreen favourites from Metallica and Iron Maiden," he adds. While he owns a less-than-cool variomatic scooter, automobiles are a huge draw for this engineering student, who takes part in drag races in his spare time and plans to one day buy his own mean machine, rather than borrow a friend's ride to participate. Apachu's dad is a Director with Deccan Aviation and his mother is a teacher.

In the capital, a bunch of seemingly regular tyros are hanging out at Shoppers' Stop in Ansal Plaza. Komal Srivastava, 19, a student at the

NEW DELHI

KOMAL SRIVASTAVA, SHREY SHARAN & SHIPRA GUPTA (ALL 19)

No credit cards for them, but a daily visit to the ATM centre is a ritual.

AT LEAST ONCE A WEEK, SHARAN, Srivastava and Gupta can be spotted at either PVR Anupam (in Saket) or PVR Priya (in Vasant Vihar). Sharan's most prized possession is his Acer Laptop and his Sony Ericsson K508i; for Gupta it is her Lenovo laptop and her Samsung X350. These fashion technology students are brand-conscious and have different allegiances. While none of them carries credit cards (they don't want to exceed limits), they use their debit/ATM card daily. They prefer Delhi's Baristas and Café Coffee Days and occasionally speed up to Gurgaon or Noida in Gupta's Ford Ikon to eat at the *dhabas* outside the call centres.

SAPTARSHI BISWAS

THEIR MEDIA HABITS...

What kids in the 15-21 age group are watching in BRIC* countries.

MTV MUSIC TELEVISION®

85% watch MTV or music videos

81% use computers

81% enjoy movie comedies

73% watch the Olympics

71% depending on the country enjoy watching or playing basketball or cricket

Source: US Bureau of the Census, International Database, 2005
*BRIC: Brazil, Russia, India and China

National Institute of Fashion Technology (NIFT), "loves buying Lee and Benetton, but is not very comfortable with the Bossini range." Her friend, Shipra Gupta, "loves to roam in her Ford Ikon." Karan Lakhwani, 18, drives a WagonR, and swears by Hugo Boss and adidas. Then there's Surabh Abbey, 20, who's taking a break after graduation, drives a Santro, and adores the Benetton brand. Tanushree Prabhakar is 18, and her favourite brands are Benetton, Levis, adidas, Nike and Cool Water (perfume). And like Shrey Sharan, 19, most of these youngsters average a monthly pocket allowance of Rs 5,000. So what's the big deal? Nothing, except that Sharan's dad is an Assistant General Manager with a public sector bank, his mother is a teacher and both parents are in Jamshedpur. Srivastava's dad is a Senior Manager with an FMCG company, and her mom a teacher. And Prabhakar's dad is a scientist with the Indian Council of Medical Research, and her mother a town planner.

You would have got the drift by now: The good life doesn't beckon just a privileged handful of youth from wealthy business families. Contributing to a rapidly growing economy is consumption by an increasingly burgeoning, prospering and aspiring mass of individuals who, by virtue of their sheer numbers, steamroll the very affluent class at the

bharti

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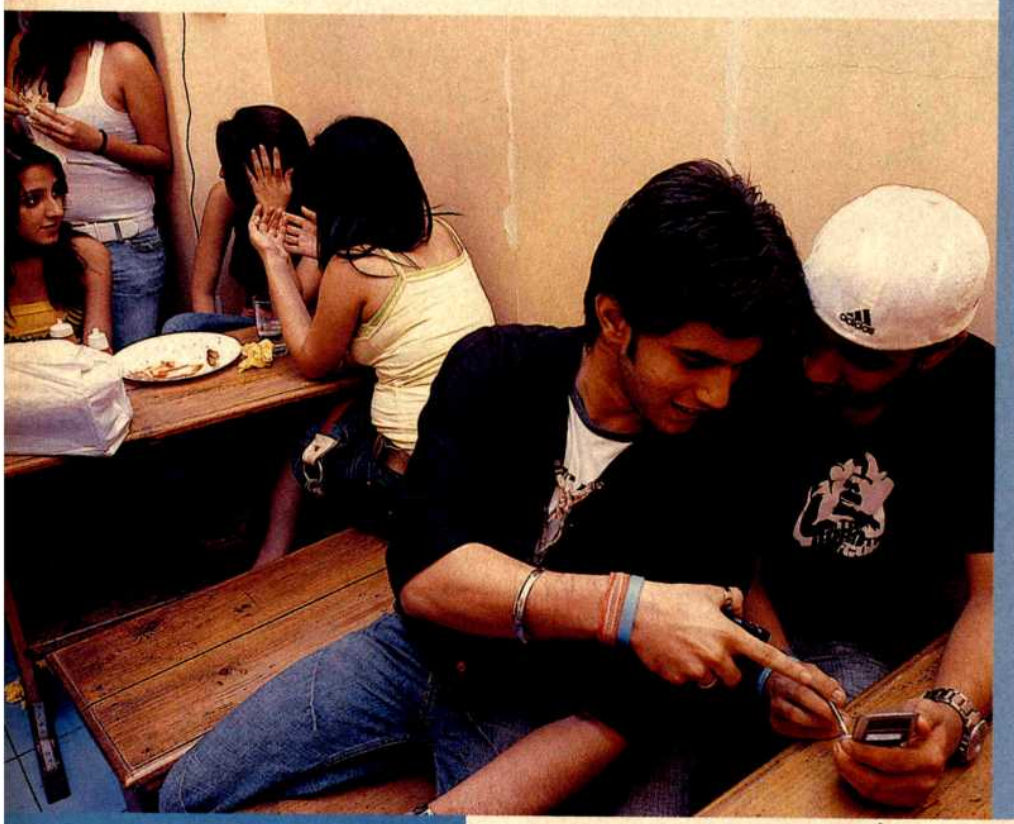


...AND WHAT THEY'RE PLUGGING INTO

How 15-21-year-olds in BRIC countries give and receive information.

81% have mobile phones

81% use computers

79% watch television daily

73% listen to the radio at least weekly

69% read monthly magazines

68% read newspapers daily

63% watch the news often

Source: US Bureau of the Census, International Database, 2005

MUMBAI

GURINDER PAWAR (17) & VARUN AGASKAR (19)

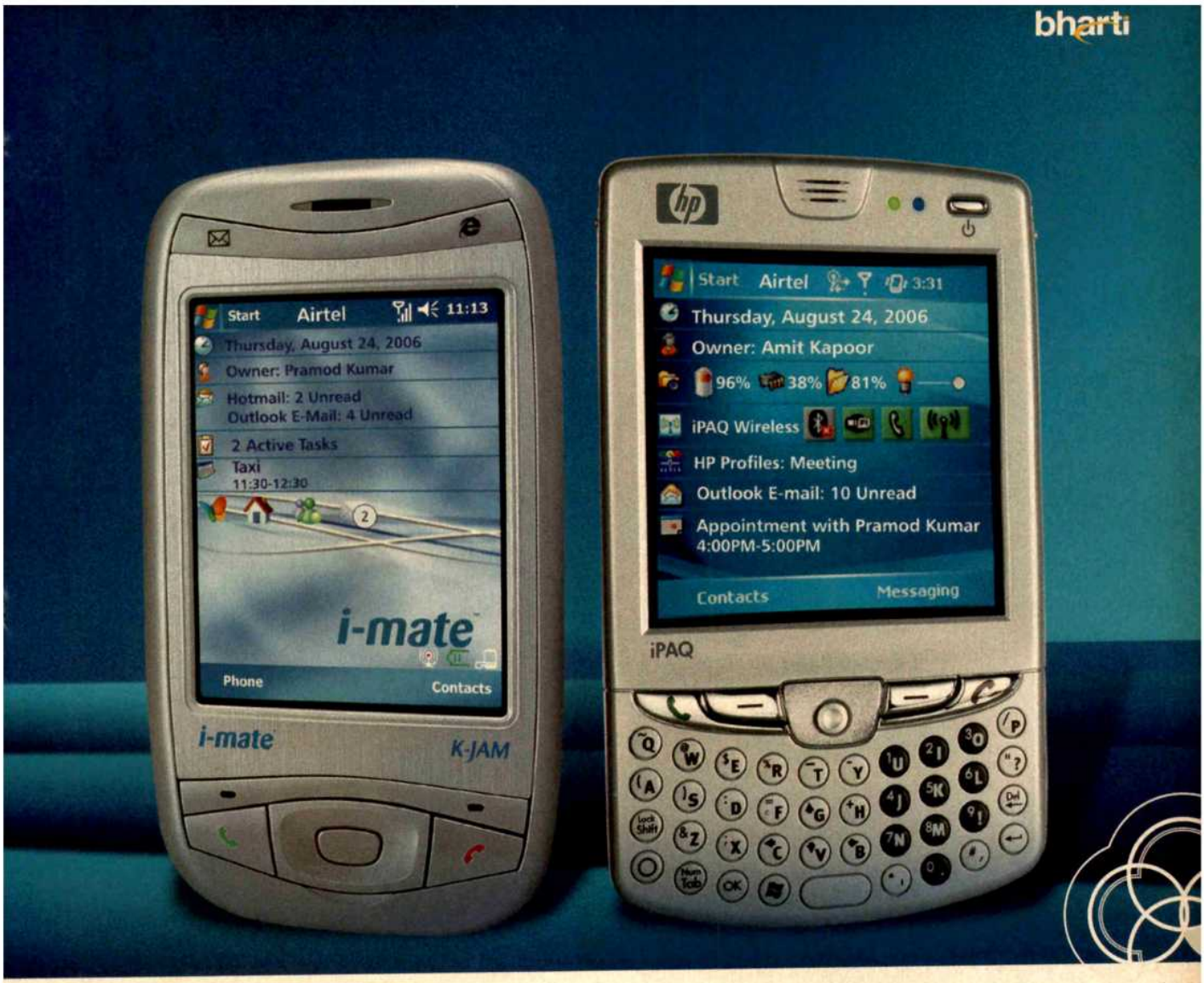
They spend a lot of time—and a lot of money—together.

THE BEST OF FRIENDS, PAWAR AND Agaskar are avid cricketers. Pawar, who is toying with the idea of becoming an actor, has a daily allowance for food and drinks of Rs 400. That excludes costs of fuel, night outs and shopping. His favourite clothing brands are FCUK, Banana Republic and Armani Exchange. His monthly expenses: Between Rs 30,000 and Rs 50,000. Agaskar typically spends Rs 10,000 per month on shoes, and 5,000 on perfumes. A watch addict, he owns a Calvin Klein, a Tag Heuer and a Tommy Hilfiger. He also picks stuff off the internet, where his father's and sister's credit cards come handy.

top of the pyramid. According to data put together by the National Council for Applied Economic Research (NCAER), the 'aspirational class'—primarily white-collar professionals, including entrepreneurs but excluding business families—numbers a whopping 81 million households. The 'rich' on the other hand are a mere 3.8 million households. And as the Indian economy continues to roll, NCAER projects that by 2013, the aspiring households will be the largest component of the Indian pyramid, at 124 million, outnumbering those at the top—and the bottom—by far.

But the number of aspirers look good on paper even today. To fall back once again on NCAER data, the 81 million households of aspirers earn a minimum of $45,000 (Rs 20.25 lakh) per annum. Now on the basis of this, let's attempt to arrive at a figure on the number of greenhorns in the 15-21 bracket (in college and non-working; note: they're not call centre employees or employees of any kind) and the sheer quantum of dough they would be spending in a year. Assuming one child in this age bracket—let's call her and her ilk the white-collar richie rich (WCRR)—in every two of these households is in the 15-21 age bracket, you have a little over 40 million of them out there. (Interestingly, according to the US Bureau of Census' 2005 International Database, India has the most number of 15-21 year olds in the world—115.3 million of them!) Elissa Moses, a Strategic Marketing Consultant to brands like Coke, Levi's, MTV, Nike, Burger King and Calvin Klein, estimates that each WCRR would be spending on average $20 (or roughly Rs 900) per week, a thoroughly conservative figure, as *BT* realised after talking to hundreds of WCRR from all parts of urban India. Now Rs 900 spent by 40 million kids adds up to a cool Rs 3,600 crore a week—or all of Rs 1.87 lakh crore a year!

bharti



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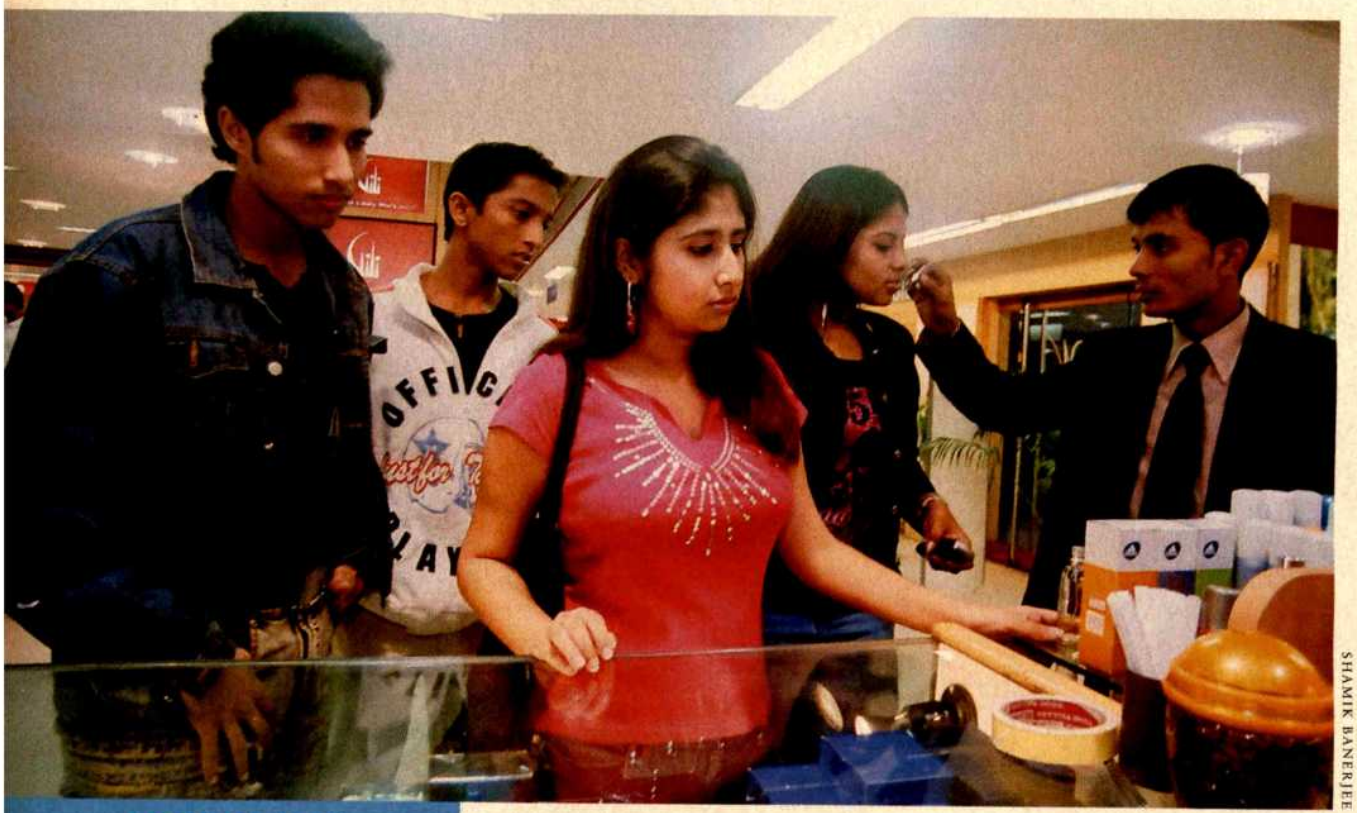

SHAMIK BANERJEE

KOLKATA

KRITIKA SEKSARIA (18), SREEPURNA RAY (19), SATYAKI BANERJEE (20) & SAMRAT CHOWDHURY (20)

Model students most of the time, the animal in them is unleashed in malls.

BARISTA, PALATE, INOX, CAFÉ Coffee Day, City Centre, Forum Mall—these are the urban temples of Kolkata where these four regularly pay their respects. Seksaria, who comes from a business family, wouldn't mind spending Rs 50,000 on a shopping spree at City Centre or Forum Mall, picking up "anything that appeals." The others, from white-collar families, are more subdued in their spending habits—Ray for instance would rather visit a large-format music or book store—even though Seksaria quips that "I don't want to be seen as a spoilt brat, either."

That's a lot of bucks being spent by a lot of boys and girls. Sure these figures are back-of-the-envelope calculations (that spending by WCRR is an emerging trend makes it all the more difficult to fall back on too many available numbers), and such rampant spending may not stretch across all kids in the 15-21 age bracket. For instance, *BT* did meet youth whose pocket money didn't exceed Rs 500 a week, who are still content with non-iPod MP3 players, and who don't own fancy bikes and cars. Also, this emerging trend would naturally be a metro phenomenon—not just because the purchasing power is concentrated there, but because 40 per cent of the urban population is estimated to be between 15 and 21. To be sure in cities like Mumbai and Delhi, it wasn't difficult for *BT* correspondents to stumble upon WCRRs who spend half-a-lakh a month—on branded apparel, in cafés, and on a range of accessories, right from watches to sunglasses. Says Ajit Varghese, Managing Director, Maxus India, a media agency: "With the economy growing the way it is, the double-income of families can only go up. And most of that financial power today, directly or indirectly, rests in the hands of the 15-21 age group." Adds D.K. Guha, Vice President, Lowe: "Marketers are being forced to reposition their existing products or create a separate brand—which may not be connected

INDIA: Brimming With Kids

Top 10 countries where 15-21-year-old live.

Figures in million

Source: US Bureau of the Census, International Database, 2005

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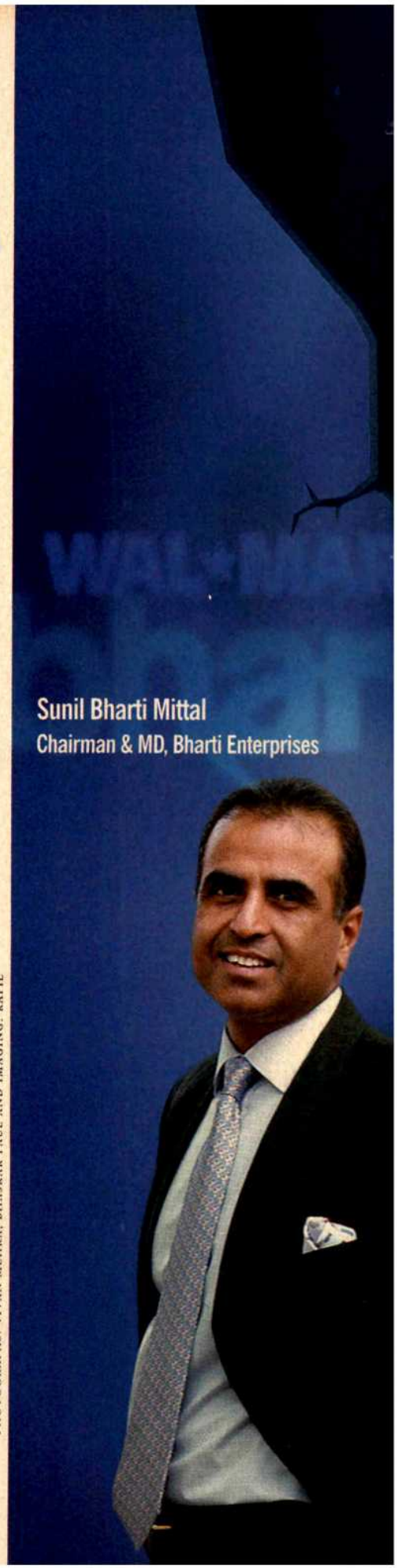
RETAIL'S COMING FACE-OFF

One wants to be India's Wal-Mart and the other *is* (Bharti-) Wal-Mart. With both set to battle, the Rs 14,00,000-crore retail market will never be the same again. But how will the retail wars play out?

R. SRIDHARAN AND KRISHNA GOPALAN

EXPECTEDLY, INDIAN RETAIL INDUSTRY'S MOST-AWAITED NEWS came with a bang. It was a Monday morning and as India Inc.'s Who's-Who, including Bharti Enterprises' Sunil Mittal, made a beeline to the India Economic Summit, World Economic Forum's India gabfest, the New Delhi-headquartered Bharti dropped a bomb. In a short press release, whose matter-of-fact tone was in stark contrast to the significance of the development, the company announced that it had signed a Memorandum of Understanding (MOU) with the Bentonville (Arkansas, US)-based retail behemoth, Wal-Mart. "(Bharti and Wal-Mart) share the same commitment to building relationships with producers in order to provide great quality at reasonable prices to consumers every day," the world at large was told. The press release had begun going out around 10.30 that morning, and by the time Mittal arrived at the summit's venue (Taj Palace Hotel, New Delhi), the media had worked itself into a frenzy. And Mittal, who had also been talking to France's Carrefour and Britain's Tesco, was only too happy to oblige. "It's a partnership of equals. Big investments are in the pipeline," he told *BT* and other reporters at the summit. Later, at the same event, Reliance Industries' Mukesh Ambani, who plans to invest Rs 25,000 in his own retail venture, Reliance Retail, welcomed thedevelopment, saying there was enough space in the industry for six to seven large players.

Don't let the corporate propriety fool you. What the industry has in the making is an epic retail battle. Pitted against each other are two equally strong and ambitious (see *A Battle of Equals*) players. One wants to be India's Wal-Mart and other, well, is Wal-Mart. Therefore, this fight won't be about winning a few customers here and there; rather, it will be about supremacy—of one Indian company, which has never believed in being #2 in anything, trying to live up to its own expectations, and of another retailer, whose global revenues are as big as



Sunil Bharti Mittal
Chairman & MD, Bharti Enterprises

PHOTOGRAPHS: VIVAN MEHRA, BHASKAR PAUL AND IMAGING: KAPIL

KESHAV RAJ

WHY KIDS ARE GOING ON A BENDER

- Mind-boggling double incomes mean there's more money to go around for unabashed consumption
- Parents earning those incomes are too busy doing so; there's little time for the kids, so they compensate with money
- Increasing divorce rates and unhappy marriages result in parents showering money on their offspring either out of guilt or to be perceived as the favourite parent
- Exposure to global brands, fashion and trends, much of which hit India almost seamlessly, thanks to satellite television

CHENNAI

HARINI GOPINATH (20)

She's not a brand fanatic, but may be getting there.

HER CREDIT CARD IS ONLY FOR emergency use, she doesn't own an iPod but a Sony MP3 player, prefers the coffee shops to the clubs, and is not too keen on hair bonding as it can be damaging in the long run. Gopinath may be prudent but she's no prude. She's prone to spending Rs 1,500-2,000 a month on clothes and accessories, she goes gaga on cell phones (currently sports a K700 Sony Ericsson), and usually ends up spending a little over Rs 3,000 per month. But the best part is that her father—a Vice President with Covansys—gives her money whenever she needs it. After all, she's got petrol bills—for her Santro and Scooty—to take care of.

to the mother brand—to meet the expectations of these youth, who are price-insensitive."

Consider, for instance, Varun Agaskar, 19, an ace cricketer who participates in college and inter-college tournaments. Perhaps his parents would prefer he plays a lot of cricket; for when he's not swinging the bat he's buying his favourite brands off the internet—Banana Republic, Armani Exchange, Diesel and FCUK—and is prone to buying stuff worth Rs 15,000 at one go. He spends Rs 10,000 per month on shoes, and Rs 5,000 on cologne and perfume. He is also a self-confessed watch addict and owns a Calvin Klein, a Tag Heuer, and a Tommy Hilfiger. Oh, and if you're wondering how he pays for all these goodies, his father's and sister's credit cards are always at hand. His father is an entrepreneur who has started a head-hunting firm for IT services professionals and his mother recently retired from Mahindra & Mahindra.

"There is definitely an awareness of this high-spending sub-21 category who are making high-ticket purchases," says Habeeb Nizamuddin, Chief Growth Officer, Lodestar Universal, a media buying agency. For instance, in Guess stores in the country—there are about a dozen of them which sell apparel, shoes, bags and accessories—you'd typically find overzealous 15-20 year olds crawling all over the place. Buying may not be frenzied in such outlets, but there are those who would think nothing of picking up brands like MNG or Tommy Hilfiger. The starting prices? Rs 4,900 for a cotton top or Rs 4,000-6,000 for a Swarovski-studded jeans. Some 18 per cent of Louis Vuitton's all-India sales come from the sub-21 segment (Louis Vuitton products start at Rs 20,000 and go up to several lakhs). Moschino, Dior, Burberry, Nine West, and Aldo are also a favourite with this tribe.

For Ish Bawa, Head (Marketing & Communications), BenQ, kids like Agaskar are a godsend. "For this age

What's In	What's Out
● Flings and 'friendships with benefits'	Serious relationships
● Coldplay, James Blunt, Norah Jones, Avril Lavigne	Britney Spears, Boy Bands
● Indulging in food, followed by bulimia	Being weight conscious
● Flavoured Absolut vodka, Jack Daniels, Johnny Walker—Black Label, Mojitos, Cosmopolitans	Any alcohol that is 'cheap' (less than Rs 500 a peg)
● Spandex, lycra blends, experimental usage of cosmetics, body-piercing	Being Vegan, tree-hugging, tie-dye, hemp, jute & handloom clothing
● TIGI (a haircare brand) is the rage, anything else is considered 'DM' (downmarket)	*Desi* hair products

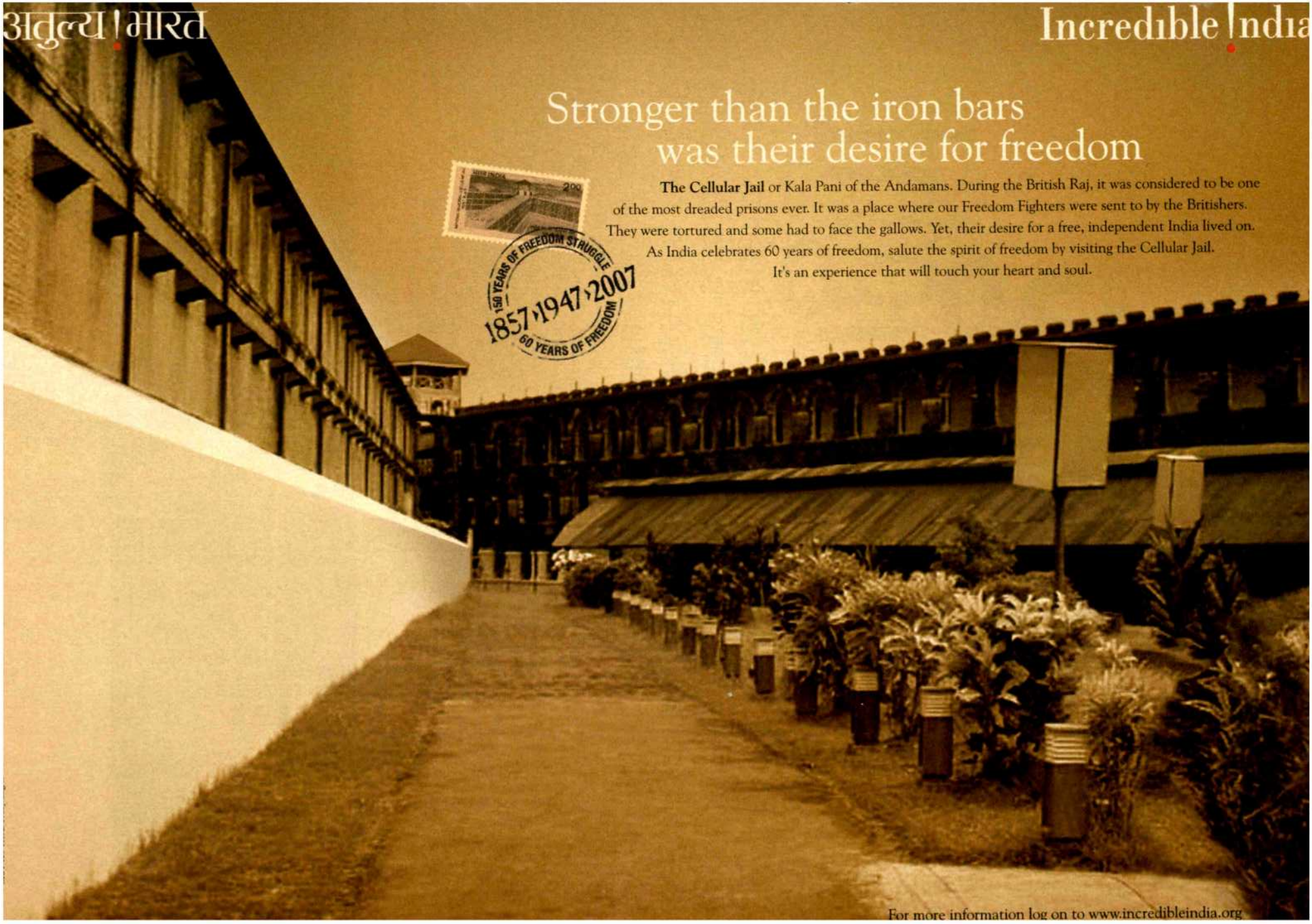
group, the #1 priority is a mobile phone, #2 would be a digital camera and #3 would be gaming products," says Bawa. "If I cut across all of BenQ's product categories, including mobile phones as well as LCD monitors, 65-70 per cent of our India revenues come from the 15-21 age-group." For Benetton too, 50-60 per cent of sales come from the 15-21 year olds. That's why the company in India has launched a 'Benetton Loyalty Programme' targeted specifically at this band. "India is the only country in the world where we have launched this programme. Depending on the kind of cards they get (which in turn depends on the amount they spend on the brand), they get benefits of getting into various nightclubs and discotheques, tickets for rock concerts and things like that," says Sanjeev Mohanty, Regional Director (Sales & Marketing), SAARC & South-East Pacific, Benetton. Mohanty stresses these cards don't dole out discounts—something today's children frown on. "They don't value things they get for cheap or for free; they like to pay, so long as they are getting value for their money. They are value-conscious, and our loyalty programme gives our consumers value across their lifestyle choices."

So, who rules the roost? Luxury brands, of course

Besides its sheer availability, what makes it easier (than before) for these youth to spend so much of the loot is sheer access—to pubs, malls, multiplexes, brands... the works. It isn't uncommon to find nightclubs in Mumbai crawling with WCRRS (many of them naturally underage—the legal drinking age is 21 years). Indian alcohol or even foreign brands made in India (like Smirnoff vodka) are typically looked down upon—cult labels like Jack Daniels and Absolut vodka, which cost Rs 500-800 a shot at most clubs, are the flavour of the night.

It's tempting to get judgmental about the WCRR's bizarre spending patterns—or even about their parent's apparent compensation for time with money—but to a large extent, the WCRR is a product of the times. For one, the latest global trends, fashion and brands are just a click away. For another, unlike children from previous generations, the resources to avail of such gratification are just a credit card swipe away. And indeed there's technology, to which they've taken to like fish to water. As Maxus' Varghese points out: "Marketers cannot afford to ignore this group—I can't think of a single client who is not targeting it—because they've adopted technology so well. These kids are going where the technology is." And following them is a colossal load of lucre. ■

ADDITIONAL REPORTING BY RITWIK MUKHERJEE, NITYA VARADARAJAN, RAHUL SACHITANAND AND PALLAVI SRIVASTAVA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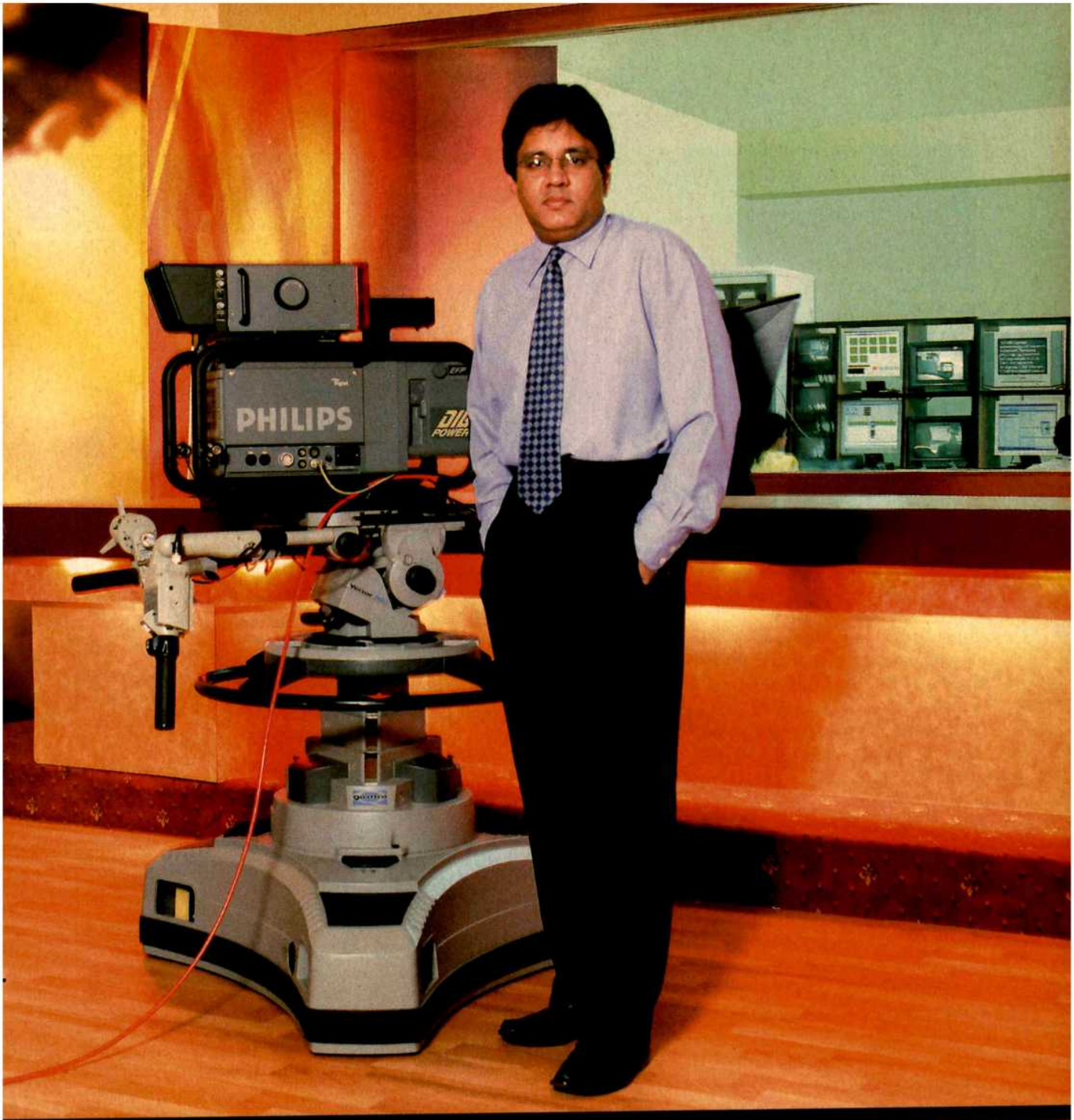
Shining Bright

Kalanithi Maran's Sun Network has a stranglehold on southern markets, and the 40-year-old has no intentions of loosening his grip. But where does his print-to-radio-to-TV empire, of which Sun TV alone is worth **Rs 10,500 crore** on the stock market, go from here? ARCHNA SHUKLA

FOR A MEDIA COMPANY THAT OWNS 18 TELEVISION channels, seven radio stations, two daily newspapers, four magazines and a significant cable and satellite (C&S) distribution business, Sun Network's headquarter in Anna Salai, Chennai, looks quite unpretentious and quiet. There are no throngs of camera crews or reporters hanging around. Instead, one finds some sturdy, tall men, all dressed in whites, guarding the entrance. They are the only indication of the place's central position in Tamil Nadu politics—the building is the headquarters of Tamil Nadu's ruling party, DMK. The Chairman and the Managing Director of Sun Network, Kalanithi Maran, sits on the third floor. At the reception, there is a big, illuminated portrait of the late Murasoli Maran, former Union Industry Minister, nephew of current Tamil Nadu Chief Minister M. Karunanidhi and Kalanithi's father. The family is synonymous with politics, but Maran says: "I don't understand politics; I only know how to run a successful

Maran's Media Empire

Broadcasting: Has 18 cable and satellite (C&S) channels under the Sun TV umbrella—**four in Tamil** (Sun TV, KTV, Sun Music & Sun News), **two in Malayalam** (Surya TV & Kiran TV), **six in Kannada** (Udaya TV, Udaya Movies, Udaya Varthegalu, Udaya TV II, Udaya News & Ushe), **six in Telugu** (Gemini TV, Teja TV, Gemini News, Gemini Music, Gemini Movies & Aditya). Plans afoot to launch a sports and a documentary channel early next year.



FM Radio: Two companies, Kal Radio & South FM Radio, have 45 FM radio licences (23 for southern and 22 for northern markets); 7 stations already on air.

Cable distribution: Owns SCV, a multi-system operator, and has over 80 per cent market share in cable distribution in Tamil Nadu. Also owns Gemini Cable Vision, a dominant player in Andhra Pradesh.

Publications: Runs four magazines (*Kungumum, Mutharam, Vannathirai* & *Kumguma Chimizh*) and two recently-acquired newspapers (*Dinakaran* & *Tamizh Murasu*) under two companies called Kungumum Publications & Kal Publications.

DTH: Has a licence for direct-to-home service, which is likely to be launched next year.

SUN'S WORLD

TV, print and radio penetration in the four southern states is higher than the national average.

	INDIA	TAMIL NADU & PONDICHERRY	KERALA	ANDHRA PRADESH	KARNATAKA
Per capita income (Rs)	17,947	21,239	22,668	17,642	18,324
Population (million)	1,090	65	34	81	56
Households (million)	219.2	16.5	7.5	19	12
TV HHs (million)	111.7	11.1	5.2	12.6	6.6
C&S HHs (million)	68.4	10.3	3.6	11.5	1.3
C&S penetration among TV HHs (%)	61.3	92.8	69	91	20
Radio penetration (%)	26	38.7	37.6	9.6	28
Print readership (%)	27	40	64	33	26
Total Advertising Market (Rs crore)	**14,000**	**2,500-3,500**			

HH: Household

Source: NRS 2006

business." That, he surely does.

Maran, 40, runs one of the biggest media conglomerates in the country, straddling C&S broadcasting, publishing, radio and broadcast distribution; its current turnover: Rs 800 crore. The network's flagship channel, Sun TV, is the second biggest in the country, with a 30 per cent market share, just below STAR Plus (41 per cent) in the national pecking order. Maran's other channels rule the roost in each of the southern markets—Tamil Nadu, Andhra Pradesh, Kerala and Karnataka—he is present in (see *Where Sun Stands...*). Sun is the only network in the south that has a complete bouquet of general entertainment, news, music, movies and kids channels (a sports and a documentary channel are on the anvil). In TN, his rivals, Jaya TV and Vijay TV (the latter is owned by the STAR Network), have only one channel each with a viewership share of 6 and 3 per cent, respectively, against Sun TV's 44 per cent. Even his competitors acknowledge his mettle. "Maran is one of the pioneers in the broadcast industry. He has created a stupendous business in a market that others thought wasn't worth dabbling in," says Ajay Vidyasagar, Executive Vice President, STAR Network India.

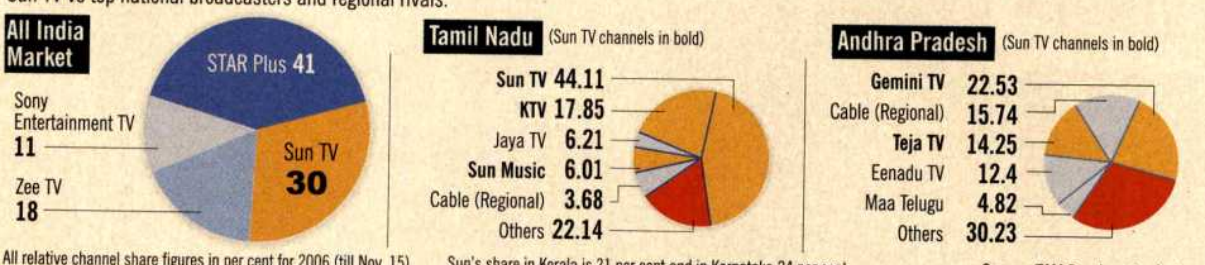
Maran also has a flourishing publishing business that comprises four magazines *Kungumum* (with a readership of 1 million), *Mutharam*, *Vannathirai* and *Kumguma Chimizh*. He also runs two daily newspapers, *Dinakaran* and *Tamizh Murasu*. "At the time of acquisition, *Dinakaran* ranked 60th in the country with a readership of 1.5 million. We redesigned and relaunched the product. Today, it is the seventh largest newspaper with a readership of one crore," says Maran. Then, he also has 45 FM radio licences; seven stations are already on air. "Twenty-two of the new licences are for the northern market," he says. "So far, we were a south-based player, but our radio venture will make us a pan-India media company."

No Investments, Only Returns

His political linkages notwithstanding—Tamil Nadu Chief Minister M. Karunanidhi is his great uncle and Union Minister for IT & Communications Dayanidhi Maran his elder brother—Maran has built his fortune from scratch. After dabbling in the family's publication business and running a video magazine, *Poomalai*, for about four years, he decided to enter the broadcast busi-

Where Sun Stands in the TV Universe

Sun TV vs top national broadcasters and regional rivals.



All relative channel share figures in per cent for 2006 (till Nov. 15)

Sun's share in Kerala is 21 per cent and in Karnataka 24 per cent

Source: TAM Peoplemeter System

GRAPHICS BY PINAKI PAUL

Sun is the only network in the south that has a complete bouquet of general entertainment, news, music, movies and kids channels

ness in 1992. "The C&S industry was non-existent at that time. There were not too many advertisers and no cable operators, forget about subscribers and subscription fees," says Hansraj Saxena, Vice President (Programming), Sun TV (Saxena is Maran's college friend who has been with him from the start). Investing in content production and a marketing network, thus, was a tall order. It was then that Maran came up with an innovative idea. "I approached some producers and proposed that I would provide my platform to air their shows; they could retain the ownership of their content and sell commercial airtime to recover their costs," he says. Maran also got to sell some two minutes of air-time and title and sponsorship rights. It was a win-win proposition as Sun would earn profits on no investments. The arrangement is now the standard practice at the company. Producers, on their part, don't complain because there is no better alternative to Sun in the southern market. "Sun channels are far ahead of their rivals in terms of reach and viewership, which translates into tremendous advertising potential," says Sathyajothi Thyagarajan, Managing Partner, Sathyajothi Films; he has been working with the group for the past 10 years. Indeed, the average lowest TRP (television rating point) a Sun TV programme gets is around 20, whereas the highest TRP rival Jaya TV gets for its most popular show, *Jackpot*, is 6. Today, all the top 50 regional C&S programmes belong to the Sun Network. Result: while a 10-second spot on Sun TV goes for Rs 18,000-25,000, the going rate for competing channels is around Rs 6,000-8,000.

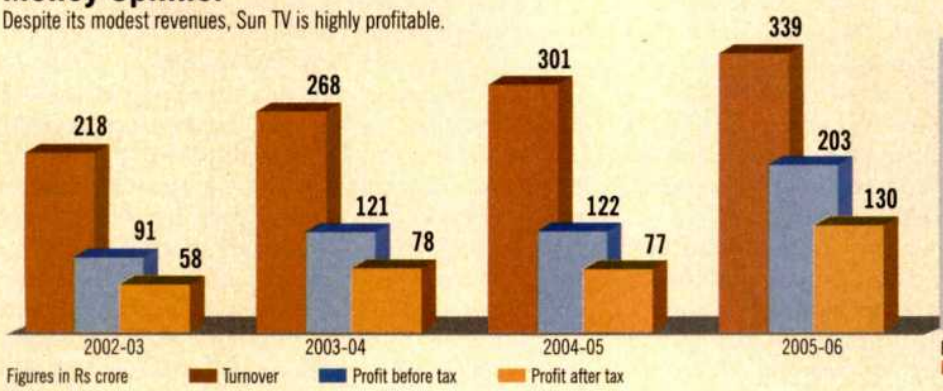
This gives Maran the muscle to dictate terms to content producers; and he squeezes this advantage ruthlessly. He doesn't allow them to work for any other broadcaster, and those who leave him once are never allowed to come back. He has similar contracts with leading film producers as well. Says Maran: "Over 80 per cent of the films produced in the market come to us. In return, we promote them on all our platforms before their release. Given our reach, it is an opportunity they can't afford to miss." This arrangement has worked well for producers so far. Many TV content producers have built fortunes riding on the back of his network. "Eight years ago, when we started working with Sun, our turnover was Rs 1 crore; today, we are a Rs 24-crore company," says B. Srinivasan, Managing Director, Vikatan Televistas, a leading production house that works across the four southern markets. "Given the scope of work one can do across Sun platforms, the apparent restrictive covenant doesn't harm any of us. I am currently working on four shows for different Sun channels. I don't have the time, or the need, to knock on any other door," he adds.

Politics and Business

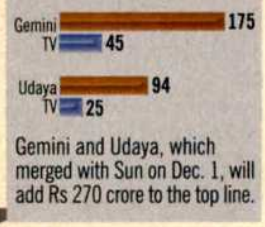
There is, however, one party that gets hurt in the game—Sun's rivals. "(Maran's) team has a killer instinct. Being the first entrants, they have captured every corner of the market. Now, nobody can break the virtuous cycle they have gotten into," says K. Balaswaminathan, Vice President (Sales and Marketing), Jaya TV. Incidentally, one of the strongest pillars of Maran's broadcast business is his C&S distribution network. Though Maran insists that he only runs a multi-system operation under SCV and he has no last-mile network, his rivals say that his men control more than 80 per cent of the C&S distribution market. "In TN, it is they (Sun) who decide which channel gets carried and which doesn't," says a

Money Spinner

Despite its modest revenues, Sun TV is highly profitable.



Getting Bigger



Gemini and Udaya, which merged with Sun on Dec. 1, will add Rs 270 crore to the top line.

Figures in Rs crore for 2005-06
Turnover PAT

Maran's A-team: (From left to right) K. Shanmugam, Vice President (Sales); S. Natrajan, Vice President (Finance); P. Laul, Vice President (Marketing); Kalanithi Maran, CMD; Hansraj Saxena, Vice President (Programming); S. Kannan, Vice President (Technical); and R.M.R. Ramesh, Director, Kal Publications

top executive of a leading broadcaster.

There are many who also allege that he has used his political clout to build his empire. Recently, allegations surfaced that his brother, Dayanidhi, had tried to coerce the Tata Group into selling its stake in Tata-Sky to him. Maran, on his part, is unruffled by such allegations. "It is most convenient for my rivals to hide their failures behind my political connections," he says, adding, "I only focus on boosting my business."

Range and depth apart, Sun TV, the listed entity that houses all TV channels, is today the most profitable broadcasting company in the country. Its operating margins have ranged from 45 to 60 per cent (against Zee TV and STAR's 25 and 35 per cent, respectively) over the last four financial years. "Sun TV has created a unique business model. Its horizontal and vertical business integration is unparalleled," says Farokh Balsara, Industry Leader (Media and Entertainment Practice), Ernst & Young.

Going forward, the Sun Network seems poised for a new phase of growth. Once all his radio stations take off, he will become the biggest FM service provider, along with Anil Ambani's R-ADAG (Reliance-Anil Dhirubhai Ambani Group), in the country. Radio advertising represents an opportunity of Rs 300-350 crore. "We are gearing up to ensure that we garner maximum share in the radio segment," says Saxena.

Then, his DTH venture is likely to be launched early next year; analysts expect at least 25 per cent of the total pay TV households to opt for the service. "DTH offers a two-way revenue stream for Sun—the pay revenue from other service providers like Tata-Sky and Zee and, from the network's own operations," says a Mumbai-based equity analyst. Besides, he has just turned his flagship channel Sun TV into a pay channel; it reaches 95 per cent of C&S homes in TN alone and is likely to bring in additional revenues of at least Rs 15-18 crore next year. The launch of new sports, kids and documentary channels will further consolidate the group's position. And advertising revenues, which grew 32 per cent in 2006—and account for around 60 per cent of the group's total revenues—are likely to grow at a healthy clip of 14-15 per cent. "Overall, the Sun Network is entering a healthy phase of growth," says the analyst.

For Maran, it is only the culmination, and also a fresh start, of an aggressive, but judicious, journey. "I have never taken big leaps. I take small steps. For me, being the leader wherever I am is what counts," he signs off. ■

THE MAN AND HIS JOURNEY

- **Name:** Kalanithi Maran
- **Age:** 40
- **Education:** B.Com from the University of Madras; and MBA from the University of Scranton, Pennsylvania, US
- **Career:** Started in 1987 as a Circulation Clerk in Sumangali Publications, a family-run business that then published three magazines. Today, he is Chairman & Managing Director of Sun TV, a company that runs 18 cable and satellite channels
- **Business philosophy:** Take small steps, no big leaps
- **Sun's market cap:** Rs 10,500 crore
- **Family's stake in Sun:** 90 per cent

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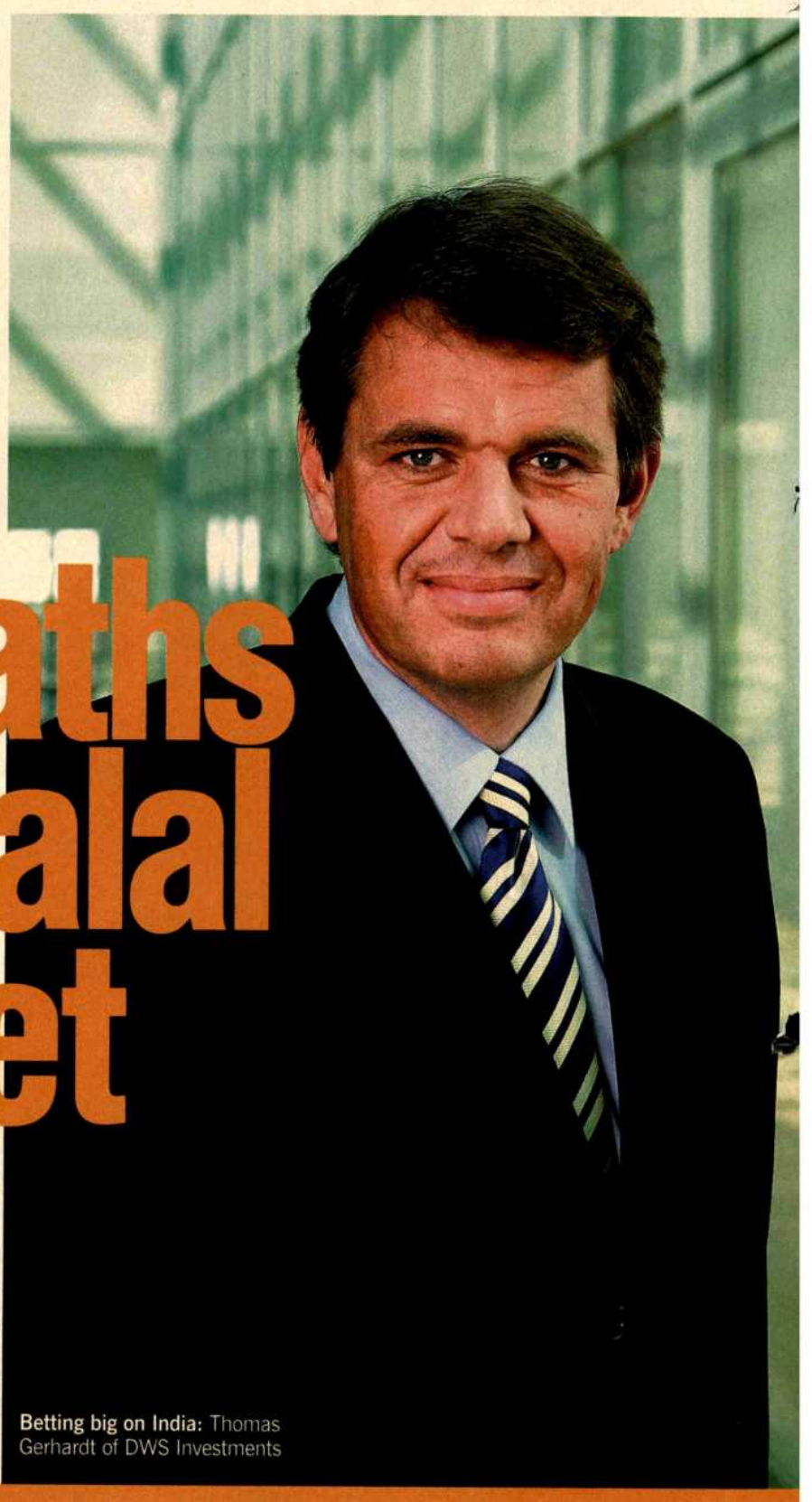
The FII Goliaths on Dalal Street



That the Indian markets are being fuelled by huge foreign inflows is well known, but ever wondered who are the global investors stoking the bull run? *BT* provides an exclusive peek.

MAHESH NAYAK

Betting big on India: Thomas Gerhardt of DWS Investments

$49 BILLION (Rs 2.205 LAKH crore). That's the quantum of greenbacks that have cascaded into the country's equity markets since the by-now-ubiquitous foreign institutional investor (FII) tribe first checked into the country in 1992. And more than half of those inflows—some $28 billion (Rs 1.26 lakh crore)—have been invested in the past 35 months, making India one of the hottest destinations for foreign investible money—it's only in Japan (it attracted $260 billion or Rs 11.7 lakh crore between 2004 and November 2006) and Taiwan ($45.6 billon or Rs 2.052 lakh crore) that global portfolio investors have pumped more of the moolah.

THE BIG BOYS' CLUB

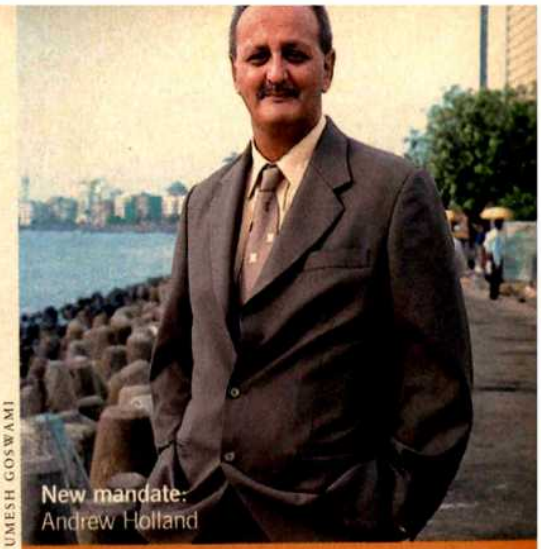
The biggest FIIs in India in terms of invested corpus.

FII	Corpus ($ billion)
HSBC	8
JP Morgan	6.5-7
Fidelity	5.5-6
Merrill Lynch	5-6
UBS	5-6
DWS Investments	5-6
Goldman Sachs	3-3.5
Govt of Singapore	4-4.5
Citigroup	4-5
Temasek	4
Morgan Stanley	3-4
Templeton	3-4
Blackstone	2-2.5
Barclays	2-4
T. Rowe Price	2-4
Capital International	2-3
Nomura	2
Nikko	1-1.25

Also includes money through P-notes Source: Industry data

With the FIIs clearly ruling on Dalal Street—estimates indicate that FIIs are investors in at least 1,000 Indian stocks—it's common to look at their mammoth inflows as a homogenous mass of invested wealth. That's far from the truth of course with, at last count, some 993 FIIs registered with the Securities & Exchange Board of India (SEBI), and another 2,938 bodies investing via the sub-account route through registered FIIs. But, as data put together by *BT* reveals, it's a handful of global investment houses that accounts for a chunk of the FII inflows into Indian equity. According to Emerging Portfolio, a global fund data provider and research firm, the top 10 funds that invested in India have a corpus of $13.6 billion (Rs 61,200 crore). Heading that list—as per data collated by *BT* from market sources—is HSBC, handling nearly $8 billion (Rs 36,000 crore) of foreign money in India (see *The Big Boys' Club*). HSBC is followed by JP Morgan, Fidelity, Merrill Lynch, DWS and UBS in that order, each of which handles between $5 and $7 billion (Rs 22,500-31,500 crore).

Some of the men responsible for those billion-dollar allocations would be familiar names in Indian market circles. Ruchir Sharma, Head (Global Emerging Markets), Morgan Stanley, is based in New York, from where he drives his firm's India allocations. Sanjiv Duggal till recently was Chief Investment Officer (CIO) at HSBC AMC. He has since relocated to Singapore from where he oversees HSBC's India-dedicated funds. Duggal handles one of the largest India-dedicated offshore funds in the world, which boasts a corpus of $5.8 billion (Rs 26,100 crore). Says Duggal, Investment Director, HSBC Capital Market Management, Singapore: "The offshore fund predominantly invests in large-cap stocks that are listed in India or derive substantial revenues from India operations." HSBC GIF's top 10 India



UMESH GOSWAMI

New mandate: Andrew Holland

PROOF OF THE PUDDING

Merrill Lynch is putting its money where its mouth is.

IT'S NO MORE MANAGING MONEY ONLY FOR investors. Merrill Lynch (ML) is so enamoured of the Indian market, it's putting together a separate team in Mumbai to invest its own balance sheet money on Dalal Street. Avers a senior official at ML, on the condition of anonymity: "We are handling the India investments for Merrill Lynch's own money. We are still in process of a setting up a team." In December 2005, ML bought out its partner in its Indian JV, DSPML, Hemendra Kothari for $500 million (Rs 2,300 crore). Recently ML appointed Andrew Holland as the Head of the Strategic Risk Group in India (prior to that he was the Chief Administrative Officer and Executive Vice President-Research). Holland has the mandate to manage ML's own money in the Indian equity market. As on December 2005, ML's investment in equities was nearly $10 billion (Rs 46,000 crore), compared to $7.3 billion (Rs 32,850 crore) in 2004. "Unlike other offshore funds, we don't have the restriction of m-cap or sectors nor do we have to deploy money at one stretch. The challenge is to find new ideas out of the box that can be multi-baggers of tomorrow," says the ML official. The group's focus continues to remain on the three pillars of India growth story: Consumptions, outsourcing and infrastructure.

INDIA IN THEIR SIGHTS

Top 10 funds investing in Indian markets.

Fund Name	Fund Advisor	Fund Size*	India*	Weightage
JF India Fund	JP Morgan Asset Management	736.392	**736.392**	100
DWS India Fund	Deutsche Asset Management	766.87	**766.87**	100
Aberdeen GF India Opportunities Fund	Aberdeen Asset Management	2,109.578	**2,062.43**	100
Morgan Stanley India Investment Fund, Inc.	Morgan Stanley Investment Management	968.414	**937.89**	100
HSBC GIF Indian Equity Fund	HSBC Asset Management	5,780.554	**5,442.19**	94
DWS Invest BRIC Plus Fund	Deutsche Asset Management	3,363.906	**652.60**	19
Aberdeen GF Asia Pacific Fund	Aberdeen Asset Management	5,859.120	**769.10**	13
Emerging Markets Growth Fund	Capital Research Management	12,147.676	**750.36**	6
iShares MSCI Emerging Markets	Barclays Global Investors	13,211.084	**791.90**	6
Templeton Foreign Fund Management	Templeton Investment Management	18,213.578	**668.44**	4
Total		63,157.17	**13,578.17**	

*In $ million All figures till Oct. 31, '06 Source: Emerging Portfolio

holdings aren't unpredictable, with ONGC, HCL Tech, Maruti Udyog, Infosys, Hutchison Telecommunications—which derives nearly half of its revenues from its Indian operations—Mahindra & Mahindra, Grasim, Reliance Communications, ICICI Bank and Bharti Airtel making up that list. These 10 stocks account for 31.4 per cent of HSBC GIF's total corpus. "The process and the philosophy of investment differs from region to region...For us any company whose market cap is over Rs 3,500 crore is a large-cap stock. We also invest up to 12.5 per cent in mid-cap and small-cap stocks."

Funds like the $2.1 billion (Rs 9,450 crore) Aberdeen Capital India Opportunities Fund, the $1 billion (Rs 4,500 crore) Morgan Stanley India Investment Fund and DWS India Fund—managed by Thomas Gerhardt and Robert Kalin—also invest in familiar stocks. In Aberdeen's case, ICICI Bank, Satyam, HDFC and Infosys account for 34 per cent of the fund corpus. Yet that doesn't stop the Luxembourg-based fund from betting on select mid-cap and small-cap stocks. It, for instance, has stocks like Asian Paints, CMC, Aventis, Gujarat Gas, Paper Products, J&K Bank, ICICI, ING Vysya Bank and Godrej Consumer Products in its portfolio. Morgan Stanley India Investment Fund and DWS India fund have 48 per cent and 52 per cent, respectively, invested in their top 10 stocks.

To a large extent, FIIs are most comfortable investing in stocks they can recognise, which is why it isn't unusual to find a sprinkling of the Indian affiliates of global corporations in their portfolios. As Rushabh Sheth, Managing Director, Karma Capital, who manages FII money as well as advises an offshore fund, puts it: "They globally know Unilever, Nestle and Siemens, which is why they initially invest in these known companies. However, once they get familiarised with our market, the money moves into mid-cap stocks." Adds U.R. Bhat, who manages Melchior India Opportunities Fund, a $73 million (Rs 328.5 crore) mid-cap fund: "New FIIs, who have not had an exposure to India, are now entering the equity markets in a big way. They don't know India and thus are buying select index stocks and propelling the index." Bhat adds that for a typical FII, a meaningful allocation is perhaps as important as finding the right company, which is why large-cap stocks inevitably find favour. "On an average, a $1 billion fund will look to acquire 4-5 per cent of a company's equity, which is not possible with a mid-cap or small-cap company," points out Bhat.

Yet, what may be large-cap to most Indian investors won't figure in most FIIs' books as big stocks—

WHERE THE FOREIGN BUCKS TRAVEL IN ASIA

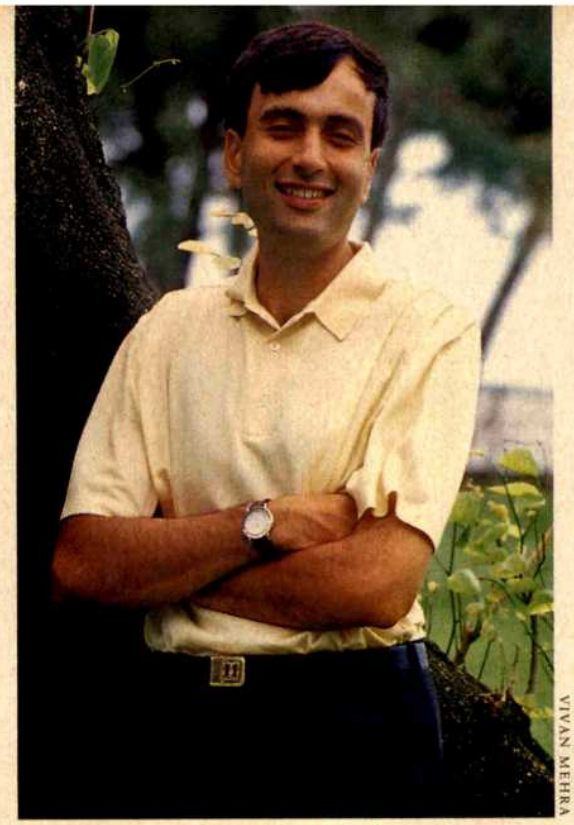
	'04	'05	'06*
India	8.5	10.8	8.7
Indonesia	2.1	-1.7	1.7
Japan	95.6	113.3	52
Philippines	0.3	0.4	0.6
S. Korea	10.3	-2.3	-13.3
Taiwan	8.5	22.2	14.9
Thailand	0.1	2.9	3

*As on Nov. 30 Figures in $ billion Source: Industry data

remember that the m-cap of Indian markets still makes up just 1.5 per cent of that of all world markets. So, for instance, Gujarat Ambuja Cement, ranked 38 in the m-cap rankings in India with a value of Rs 19,273 crore, figures as a small-cap company in the portfolio of JF Eastern Smaller Companies Fund.

Going forward, FIIs have little choice but to move into the universe of mid-cap and small-cap shares, thanks to limits of FII holdings in certain sectors (for instance, in the state-run banking sector, the FII limit is 20 per cent, and in retail sector, it is 24 per cent). "We primarily invest in blue-chip stocks," says Kalin, Senior Fund Manager, DWS Investments. "However, in the near-term, we may increase our weightage to mid-cap and small-cap stocks from the current 10-12 per cent to 15 per cent. But we will certainly not exceed that as the risk of exiting those counters is high."

Apart from a direct entry into Indian stocks, FIIs use participatory notes (P-notes, which are offshore derivative instruments issued against underlying securities) to mop up domestic equity. That's why DWS Invest BRIC Plus Fund doesn't have a single stock in its top 10 holdings—despite having a 19.4 India weightage! "This is because we have bought the stocks through the P-notes route. We didn't want to miss the opportunity by being late. Therefore, before we could get the FII licence, we started buying through the P-notes. However, in the coming days, we will convert the P-notes to local shares," says Kalin. SEBI, for its part, has been busy approving FIIs, registering one almost every second day. Since May 11, the market regulator has registered 84 new FIIs.



VIVAN MEHRA

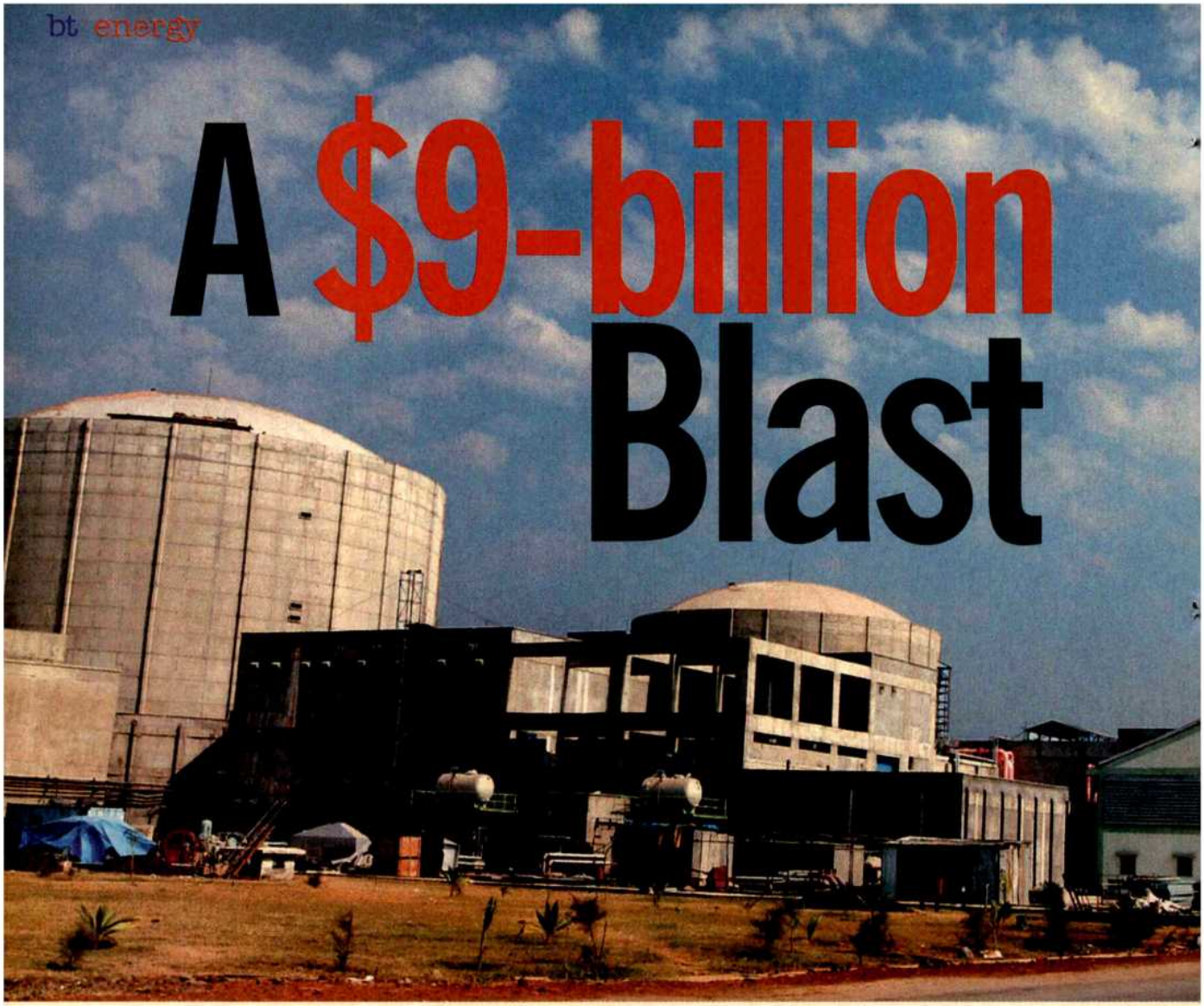
Based in New York, Sharma drives his firm's India allocations

Ruchir Sharma/ Head (Global Emerging Markets)/ Morgan Stanley

Whilst FIIs are perceived to be long-term players—and most of them may well be that—there could be more than a few whose outlook is notoriously short-term. At any given point, nearly 30-40 per cent of the FII money is hot money, which bears higher risk than the long-term money, says Krishnakumar Karva, MD, Emkay Shares & Stock Brokers. "Servicing a domestic mutual fund or an FII is no different. However, you have to keep in mind their mandate before advising them. There are FIIs who only trade in derivatives and some who only take short positions in the derivatives market. For these FIIs, even a marginal (short-term) return is good enough," adds Karva. From the FIIs' point of view, a perennial complaint is the absence of market depth. There may be over 200 companies across sectors with a $1 billion market cap, but many of them are illiquid. "Even in counters like Pantaloon, if you have to pick 1 per cent the overall transaction cost is so high that you eventually end up acquiring the stock 10 per cent higher than the original price," says Sheth. Small wonder then that investors like Kalin say that, more than market cap, what they look for is liquidity. "Stocks like Container Corporation and HDFC are large-caps, but are illiquid counters. I only invest in stocks which have an average daily turnover of €1.5 million (Rs 8.85 crore). This makes our entry and exit very smooth," says Kalin. However, he is not averse to picking illiquid stocks that show long-term promise. "If we identify a stock that has a three-year growth story, we don't mind picking illiquid stocks. In such a case, we go in for a block deal," adds Kalin.

If you're one of those fearing an FII pullout, what with the Sensex hovering around 14,000 and looking overvalued, your fears may be exaggerated. Duggal admits that "at current levels, we are cautious." And Mark Mobius, MD, Templeton Asset Management, Singapore, says: "We find Russian and Brazilian stocks more attractive." But it may not take too long for India to find favour with Mobius once again. Kalin for his part is already looking ahead two years down the line. "Stocks still look cheap on earnings growth of 2009," he says. Indeed the aura of India as one of the most attractive destinations for FIIs inflows is still intact. Says Ajay Bagga, CEO, Lotus AMC: "We are seeing money flowing out of non-performing economies and coming into fast growing economies like India." The FIIs party on Dalal Street appears here to stay. ■

A $9-billion Blast



The Indo-US N-deal is done, and US companies are busy casing out the Indian market. The obvious attraction: a potentially Rs 40,000-crore plus opportunity. BALAJI CHANDRAMOULI

A LARGE 250-MEMBER delegation of US business executives landed in Mumbai in the last week of November. Apart from the unusually large size of the delegation, what was interesting was its composition—it included representatives of about a dozen companies that are present in the nuclear sector—like GE Energy, Thorium Power, BMX Technologies (BMXT) and ConverDyn. The high-level US delegation met the domestic industry to sniff at potential opportunities in the nuclear power generation business that, on a conservative scale, will be worth more than $9 billion (Rs 40,500 crore) over the next five years. "We are excited about the opportunities as they unfold," says Ron Somers, President, Indo-US Chamber of Commerce, who was here to herd the 25-strong nuclear industry team from the US. Somers is not new to India or the power business—he headed the controversial 1,000 MW Cogentrix fast track power project close to a decade ago.

The visit was timely; the US legislature is in the process of approving legal amendments that will lift the three-decade long ban on sale of civilian nuclear equipment and fuel to India. As India returns from nuclear exile, are there others who will embrace it? How will the nuclear power business play out? What do the global players have to say and how is the domestic industry shaping up?

Interestingly, nuclear power industry in the US has not added a

The 540 MW nuclear power plant at Tarapore

BHASKAR PAUL

single megawatt of power capacity over the last quarter century on its home soil. "We have done most of our business out of Japan but have ensured that we maintain our technological edge over the last decade," says Andrew White, CEO of GE Energy's nuclear business. For others, like the $4-billion (Rs 18,000-crore) BMX Technologies, participation in classified US nuclear programmes gives it the edge. "Participation in military programmes has enabled us to hone our technical skills," says Craig Hansen, Vice President (Washington Operations), BMXT.

Invitation to the Club

It has been a bootlegger's existence since 1975, when India first exploded a nuclear bomb and refused to surrender its new found power. For, in the same year, a Nuclear Supplier Group (NSG) was formed in London (hence, the name, London Club) that shut the doors on India. Consequently, the fuel tap for the power plants (3,900 MW costing around Rs 35,000 crore) went dry and the country was left to the goodwill of nations like China and Russia that had not then signed the treaty to keep these plants running.

Now, the US is lifting the apartheid and plans to allow its industry to sell civilian nuclear wares to India as a first step. And, as a second step, it will lobby with the 45-member London Club to allow *laissez faire*.

Now, the US industry is here in India to net the first mover advantage. "We have met several companies, including power developers like National Thermal Power Corporation. We are looking for strong partners with credible track records," says Ganpat Mani, Senior Vice President, ConverDyn, which recycles spent fuel.

While US interest is on the rise, the pace of business deals will be determined by another legislative move—one that allows private ownership of nuclear plants in India. According to industry officials, the entire process could take up to a year-and-a-half. Consequently, domestic companies like Tata Power and Reliance Energy are only exploring opportunities at this point in time. Says GMR Senior Vice President Avinash Shah: "We are talking to the global industry and exploring the possibilities of setting up nuclear plants in the country."

Project developers are obviously upbeat about the opportunities, but so are equipment makers like Larsen & Toubro (L&T). This is endorsed by several US majors. Says Hansen, whose company has already done business in the country with Thermax: "The Indian industry has

Bang for your Buck

Nuclear power has several pluses, and equally, some minuses, too.

Where Nuke Power Scores

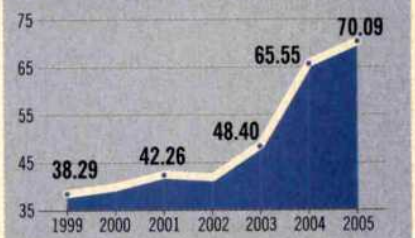
- Low volatility on account of fluctuations in fuel prices
- No greenhouse gas emissions
- Provides energy security in times of high oil and coal prices

Where it Loses

- Adverse social perception; this, though, is improving over time
- Highly politically sensitive—accident anywhere is accident everywhere
- Uncertain decommissioning cost and lack of facilities for secure disposal of waste

Coal

For every 10% rise in fuel cost, tariff will rise by 5%, since fuel constitutes around 50% of tariff



Price ($/tonne)

Gas

For every 10% rise in fuel cost, tariff will by 6.5%, since fuel constitutes around 65% of tariff

Average monthly price ($/MMBTU) Source: Henry Hub

Nuke

For every 10% rise in fuel cost, tariff will rise by 1.2%, since fuel constitutes 12% of tariff

Monthly spot exchange value ($/lb uranium)
Source: Uranium Info

All figures are indicative

GRAPHICS BY PINAKI PAUL

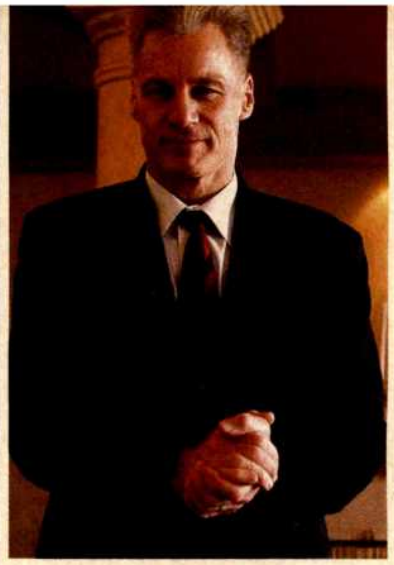
RAJKUMAR

"Indian industry has substantive resource capability in the specialty steel manufacturing"

Craig Hansen,
VP (Washington Operations), BMXT

"The early rollout of regulations is key to private sector participation"

Rajendra Srivastava,
General Delegate, EDF



RAJKUMAR

"We are excited about the opportunities as they unfold"

Ron Somers,
President, Indo-US Chamber of Commerce

substantive resource capabilities, especially in the specialty steel manufacturing business." Adds Timothy L. Richards, Director, International Energy Policy, GE Energy: "This visit has allowed US tech companies to engage with prospective business partners and customers here in India."

Nuke the Winner

The increasing popularity of nuclear power globally can be partially attributed to the rising costs of alternate fuels. Gas and coal prices have hardened like never before and equipment costs have not eased. But unlike other power generation fuels that hardly undergo any treatment before use, nuclear fuel has to go through several stages of processing. Little wonder then that the cost of raw material is a mere 10 per cent of the total fuel cost. As much as 60 per cent of fuel cost goes towards enriching the fuel and another 30 per cent is spent on fuel fabrication (milled from uranium ore and rolled into pellets and rods that find their way to the reactor). More importantly, fuel cost is a mere 15 per cent of total tariff, even at the prevailing rates of $62 (Rs 2,790) per pound (See *Bang for your Buck*). This is a major asset in times of oil and gas price volatility.

But India has not been able to take advantage of this due to the nuclear apartheid that it has been subjected to over the last three decades. Result: the country's nuclear energy capacity is 3,900 MW, a minuscule 3 per cent of its installed power generation capacity. The government plans to add another 6,000 MW capacity over the next 10 years. There is, however, the possibility that capacity additions by the private sector will result in this figure being overshot. Says V. Raghuraman, Principal Advisor, CII: "The government needs to quickly amend the Atomic Energy Act, 1962, to hasten the pace of private participation in the sector." Agrees Rajendra Srivastava, General Delegate, EDF: "The early rollout of regulations is key to

Chinese Chequers

It's nearly a repeat of the oil story. China's appetite for nuclear power, at 10,000 MW, has driven up uranium prices from $10 per pound (Rs 480) in 2002 to around $62 (Rs 2,790) per pound now. Besides, China is developing industrial manufacturing capability to sell equipment at a later point of time. Uranium ore, *per se*, constitutes less than 2 per cent of power tariff; so India has little to fear on this count. On the equipment side, reliability and track record may work against the Chinese.

M&A Season is on

With the nuclear power business gaining ground across the world, the equipment industry has begun the consolidation process. Early this month, General Electric Company and Hitachi formed a global alliance to bid for equipment supply. Prior to that, electronics major Toshiba Corporation bought out Westinghouse Electric Corporation's nuclear business. All in aid of quenching the globe's power thirst at the lowest price.

HASSLED ??

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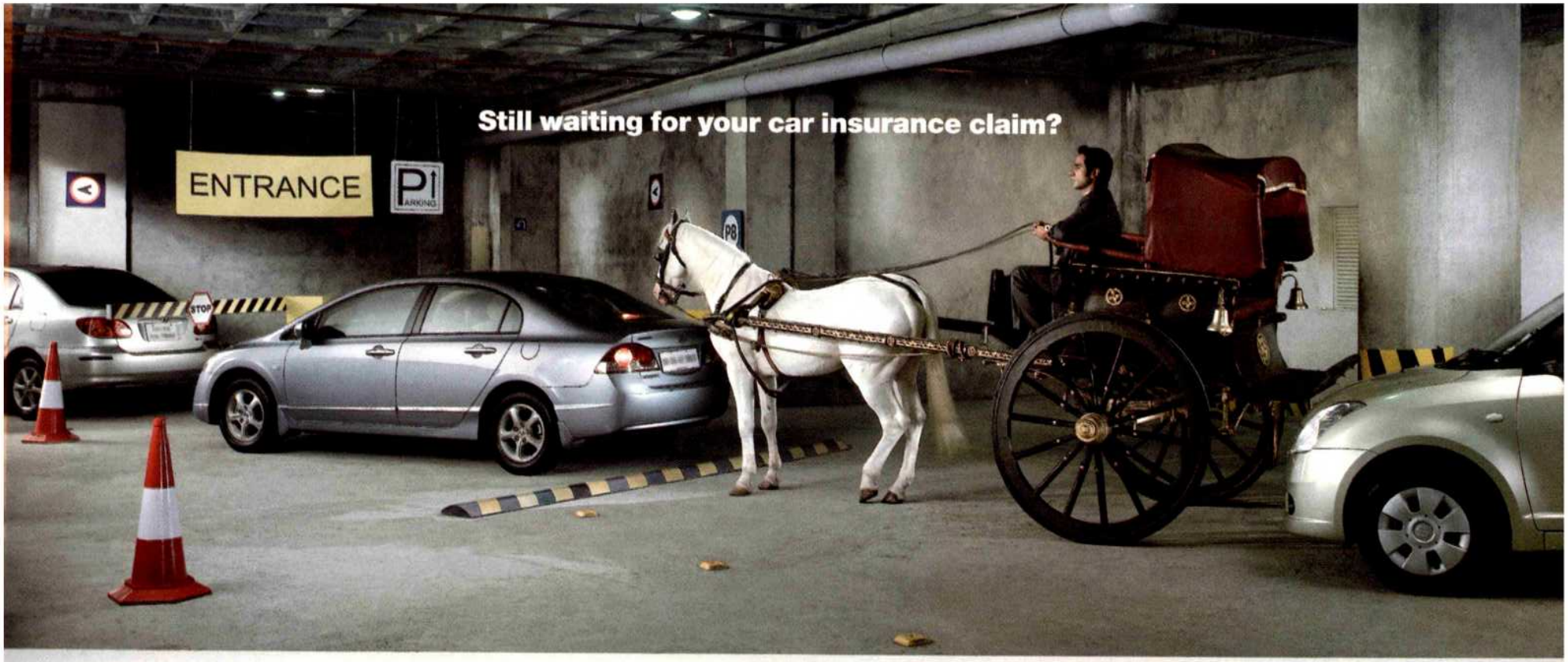

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RAJKUMAR

"We are exploring the possibilties of setting up nuclear plants in the country"

Avinash Shah,
Senior Vice President, GMR

private sector participation."

Safety versus Economics

The scars of a nuclear accident leave a deep imprint on society. A few years after India was barred from accessing nuclear material, The Three Mile Island (a nuclear power plant) accident in 1978 brought an end to the capacity addition programme in the US.

The re-emergence of nuclear power as an acceptable energy source has as much to do with the redressal of safety issues as with the cost of abating carbon emissions. In a deposition before the US Senate in September this year, Assistant Secretary for Nuclear Energy, Dennis Spurgeon said: "Nuclear technology is the only one currently available that is capable of delivering large amounts of power without producing emissions. US nuclear power plants displace millions of tonnes of carbon emissions each year."

But the development of a vibrant nuclear energy industry depends critically on not only addressing the safety issues but also on clearly defining who picks up the tab in case of an accident. "No private company will buy the entire accident insurance for a nuclear plant. A sovereign cover is essential depending on the plant capacity," says Omer Brown II, Attorney, Harmon, Wilmot and Brown, LLP, a firm representing several nuclear operators in the US. "The global practice is that the country concerned provides an insurance cover of up to $450 million (Rs 2,025 crore)." Will India blink on this count? That remains to be seen, but it will add to power costs. Interestingly, China offers an insurance of less than $50 million (Rs 225 crore), industry officials point out.

The opportunity, clearly, is huge. The global nuclear scenario, from India's perspective, is better than it was anytime in the past. And private players, both Indian and foreign, seem eager to move in. It's now up to the government to deliver sensible regulations to unlock this potential. ■

ADDITIONAL REPORTING BY AMAN MALIK

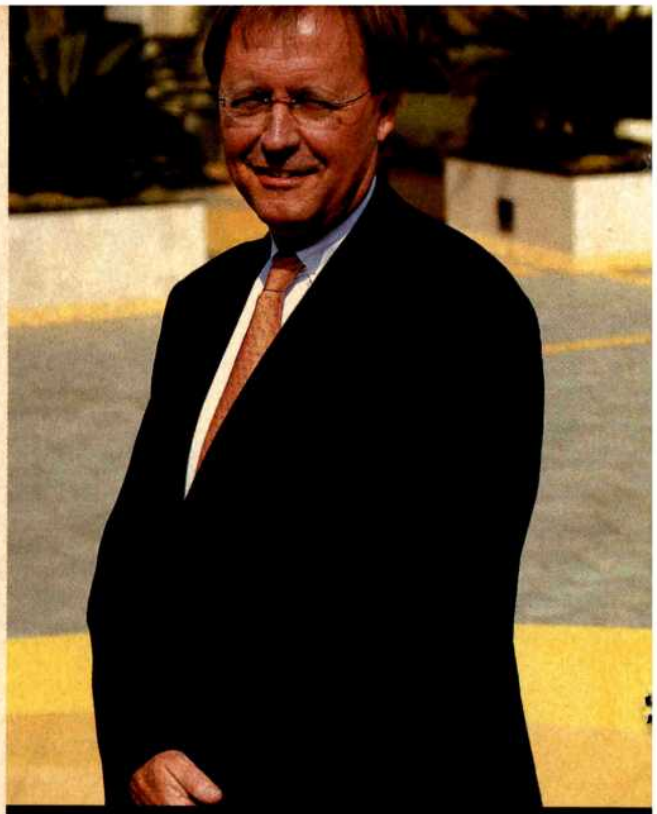
The Power of the Atom

A truckload of nuclear fuel can power a city like Nagpur for an entire year. To do the same using coal-fired power will require as many as 730 truckloads or two train loads of coal every day. In short, 2 tonnes of nuclear fuel equals 2 million tonnes of coal. Besides, power turbines last 60 years against 30 years in the case of coal-fired plants and 15 in the case of gas fired plants. On the operational side, however, nuclear stations are as fragile as cotton. They "trip" at the slightest provocation, like a disturbance in the grid. Since electricity flows like water (by displacement), any unscheduled intervention causes a ripple—enough for the nuke plant to trip.

Destination India

They may lack the aura of a Citi or an HSBC (at least in India), but for a clutch of global banking majors, an India sojourn may have only just begun.

ANAND ADHIKARI



ERIC DHOSTE, CCO, Societe Generale Bank

"India is a long-term story for us. It's not a five year business, but a 25-yr one or even more"

SOUMIK KAR

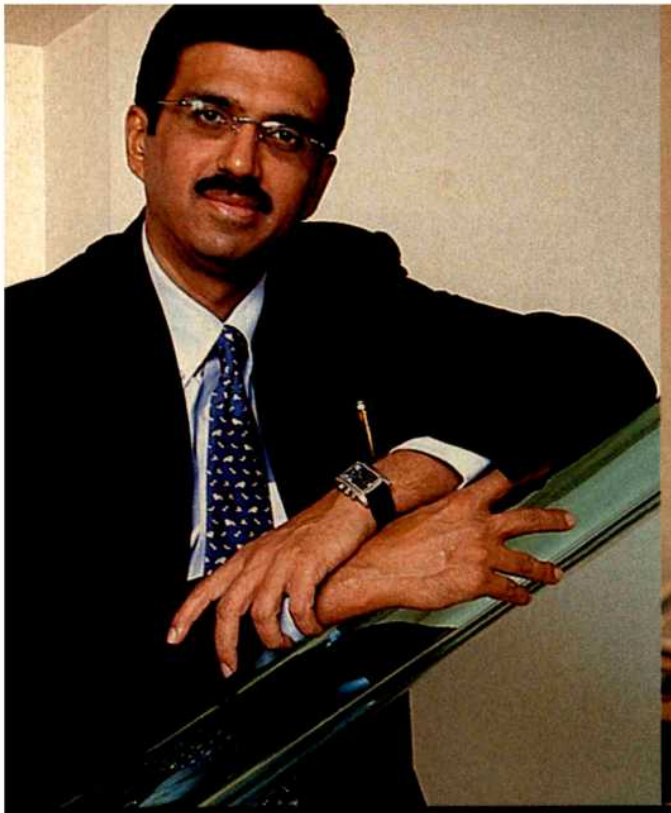
AFTER OVER TWO DECADES IN INDIA, IN 2002 Deutsche Bank of Germany quietly folded its single-branch Indian retail banking operation. Around the same time, French Bank BNP Paribas was hogging the headlines in India for retrenching hundreds of employees at its retail banking division. These two events in early 2000 flashed a cautionary message to international bankers to go slow on India. But little did they realise that a dramatic turnaround was in store, which forced Deutsche Bank to re-launch its India retail banking operations in India in October 2005.

In the same month, BNP Paribas too returned with a 49.9 per cent stake in Sundaram Asset Management Company. Just two months back, BNP inked a deal with south-based Geojit Securities Ltd for a 33.3 per cent equity stake. BNP is still scouting for more such opportunities. Perhaps the duo had earlier misjudged the retail boom in India or the thought of finding alternative growth avenues (other than by bringing in foreign direct investment or by setting up branches, both of which are restricted) never occurred to them.

Deutsche and BNP Paribas aren't the only foreign banks that limited their presence and remained virtually mute spectators in India, even as the big boys like Citi, Standard Chartered and HSBC went about consolidating their presence. Call them the second rung of foreign banks in India—although they're powerhouses in their own right on the global stage—but along with Deutsche and BNP, banks like Societe Generale (SG), DBS Barclays and Bank of Nova Scotia are finally stirring up on domestic shores, after years of a truncated, tentative India presence. And joining them in their quest for a large Indian footprint are new entrants like Macquarie Bank of Australia. The opportunities are manifold, beginning right with corporate banking, and small & medium enterprises (SMEs), to retail banking and consumer finance via non-banking finance companies (NBFCs), to wealth management, asset management and investment banking. Much of the action in these spaces is taking place via the inorganic route.

Opportunities are immense in corporate banking, retail banking and consumer finance

The heightened level of interest can be gauged from the number of global bank CEO visits to India. Daniel Bouton, Chairman of the France-headquartered SG (the same bank that was one of the advisors to L.N. Mittal in the Arcelor buyout), was in India in November-end, along with a dozen



SAMIR BHATIA, MD, Barclays India

"We will leverage our existing India relationships as well as our global relationships with MNCs"

PRANAM WAHI, Country Head, DBS

"The NBFC business has been expanded to become our vehicle for consumer finance in India"

UMESH GOSWAMI

of his senior management team. Never in the history of SG has such a high-level delegation spent a week in a single country. Says Eric Dhoste, Chief Country Officer (India) at SG, who is just three months young in India: "The capital invested in India is a token money. As we expand and regulation allows branch expansion, we will put in more money." Ditto for the rest of the foreign bank pack, which has signed small cheques and remains happy with fledgling operations. "India is a long-term story for us. It's not five-year business, but a 25-year one or even more," adds Dhoste, echoing the sentiment of the foreign banking community. In March, Macquarie launched its Indian operations at the hands of none other than Australian Prime Minister John Howard, who was in India on an official visit. Steve Waugh, former Australian cricket captain, also added to the glamour (Waugh is ambassador for Macquarie's banking and property group).

Acquisitions and Alliances

The strategy for the Indian B-team of foreign banks is to scale up operations organically and look for alliance opportunities wherever possible, in the arenas of NBFCs, asset management, broking and insurance. "Our aspiration is to become a material commercial bank in India," says Pranam Wahi, Chief Executive Officer at DBS, which is the largest Singapore bank. Last June, DBS acquired a 37.5 per cent equity stake in Cholamandalam Investment

READYING TO MAKE A SPLASH

FOREIGN ENTITY	GLOBAL FOOTPRINT	INDIA FOOTPRINT	COUNTRY HEAD
Societe Generale Bank	One of the largest financial services groups in Euro Zone. Retail Banking has 21 million customers. Global Investment Management services manages €411 billion; also in corporate and investment banking	Corporate banking, consumer finance through NBFC, also has AMC, wealth management as a separate division and equity trading desk	Eric Dhoste, Chief Country Officer, has just moved in from Australia
Macquarie Bank	Headquartered in Australia, Macquarie offers investment banking, advisory services, commodities and property services	Investment banking (M&A, funds and focus on Infrastructure sector) and institutional equity broking desk	Varun Bajpai, formerly with Deutsche Bank, has been roped in as MD (Corporate Finance).
Barclays BARCLAYS	UK-headquartered financial services group with a global customer base of 25 million. The group specialises in investment banking, credit cards, with 5.3 million customers, and asset management with assets of $1.6 trillion	Corporate as well as retail banking. Also acquired an NBFC for consumer finance. Already has a well established investment banking presence	Samir Bhatia, formerly Head of HDFC Bank's Corporate Banking, joined in mid-2006
Development Bank of Singapore (DBS) DBS	Singapore's largest bank is the fifth largest in the world. It offers an entire gamut of financial services in over a dozen markets	Has an NBFC and an asset management company for mutual funds, and is also in wealth management	Pranam Wahi is Country Head, came in from HSBC in 2004
BNP Paribas BNP PARIBAS	France's BNP Paribas is a European leader in banking and financial services. It ranks amongst the world's top 15 banks by market capitalisation and total assets	Acquired 49.9 per cent in Sundaram MF last year. Also has 33 per cent in Geojit Securities; insurance arm has a tie-up with SBI Life	Frederic Amoudru is the Country Manager
Bank of Nova Scotia	Canada's Bank of Nova Scotia is one of North America's major financial institutions with 10 million customers spread over 50 countries. The bank has $365 billion in assets	Major player in wholesale gold trading and now exploring retail banking products	Munish Sapra is the Vice President & Country Head

Source: *BT* Research

& Finance Company, which operates from 120 locations. In one stroke, DBS also gained access to three other Chola subsidiaries with interests in asset management, retail broking and third-party distribution of financial products. "We expanded the NBFC business from solely a truck financer to pure consumer loans. That's our vehicle for consumer finance in India," says Wahi, who came on board just two-and-half-years back from HSBC, where he worked for over two decades. DBS has put itself on a platform, which can be scaled up very fast as soon as it gets fresh licences. "It's a mix of opportunities within the banking platform coupled with our partnership with Chola for consumer finance," says Wahi, whose bank has two branches in Delhi and Mumbai with 200 people. Apart from corporate banking and consumer finance, DBS' immediate new priorities in India include building a wealth management business for the mass affluent and a custody business (where it is looking at capitalising on its Asian linkages).

Barclays, which is the UK's largest bank, has trained its sights on corporate and commercial banking. It has poached Samir Bhatia from the second largest private sector bank, HDFC Bank, where Bhatia was heading the corporate banking portfolio. Barclays is now spreading its wings in areas like SMEs, supply chain management, structured trade finance, asset finance and cash management. Bhatia, MD (International Retail and Commercial Banking), Barclays Bank, says: "We have a huge pool of existing relationships in India. We will also leverage on the strength of our global relationships with multinationals. This, combined with a strong relationship of our corporate banking team, will help in building a strong business in India." Barclays has already announced an investment of $150 million (Rs 675 crore) for expanding in investment banking, and a further $70 million (Rs 315 crore) for its corporate and

commercial banking business. Keeping financial inclusion in mind, "the bank is building a robust agri-business model," says Bhatia who has set up a team of 77 people in just six months. Bhatia reveals that the retail banking rollout will happen by the first quarter of next year.

NBFCs, stakes in asset management and equity broking are entry points for foreign banks

Amongst the B-team pack, Barclay's balance sheet appears the healthiest. Profits have almost doubled in 2006 from Rs 62 crore to Rs 122 crore. What's more, the net profit of Barclays is more than that of many new generation private sector banks like Kotak Mahindra Bank, IndusInd Bank and YES Bank. It's the possibility of such rapid growth that's prompted SG, which has traditionally been a corporate banking player in India, to eye the lucrative consumer finance business. "We need to build a brand first. Retail is a proximity business. You need critical mass," believes Dhoste. That's why the French bank has bought 75 per cent along with its partner Burman of Dabur in the Kolkota-headquartered Apeejay Finance, a 13-year-old NBFC. "We will also be increasing our footprint in businesses like structured finance, insurance, asset management, consumer lending and derivatives," adds Dhoste. SG also has a 300-seater BPO operation in Bangalore as well as a car fleet leasing business in India, both of which are in expansion mode.

HOW THEY STACK UP IN INDIA

BANK	DEPOSITS (RS CRORE)	ASSETS (RS CRORE)	CAPITAL ADEQUACY (%)	NET PROFIT (RS CRORE)	RETURN ON ASSETS (%)
Barclays Bank	361	1,878	22.92	122	9.64
BNP Paribas	1,847	3,733	11.61	19	0.55
Societe Generale	943	1,812	37.4	17	1.15
Bank of Nova Scotia	2,355	3,701	13.71	32	0.83
Development Bank of Singapore	1,452	3,176	31.33	16	0.73

All figures for 2006

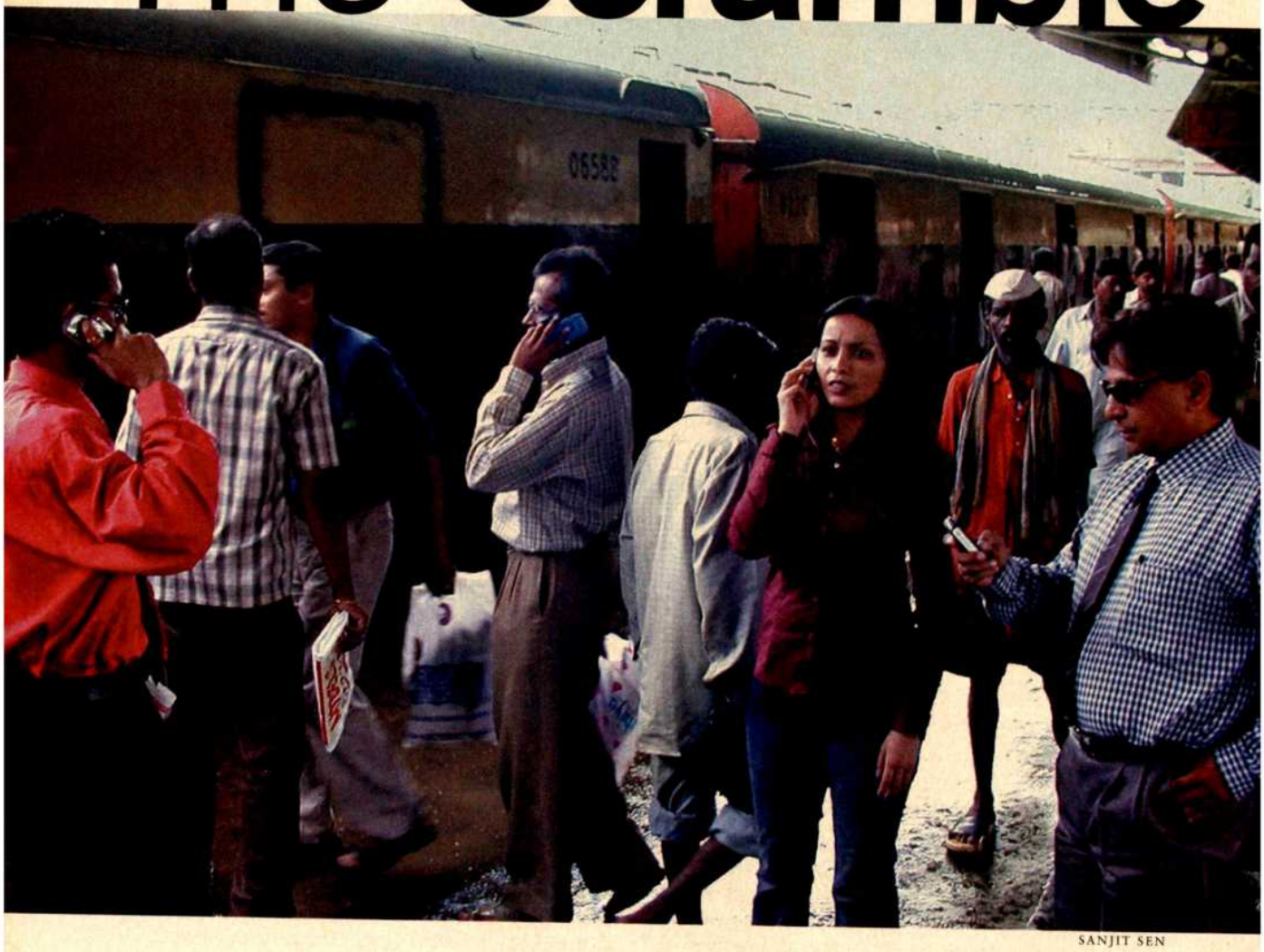
Source: IBA

Canadian Bank of Nova Scotia is yet another international bank looking to expand its Indian footprint. The bank, known for wholesale trading of gold, has just witnessed a turnaround in 2006 from a loss of Rs 12 crore in 2005 to a profit of Rs 32 crore (see *How They Stack Up in India*). The bank, which has been around for over two decades in India, now plans to approach the Reserve Bank for more licences to expand its retail, especially marketing of gold, as well as corporate banking operations.

The newest entrant, Macquarie, is testing Indian waters with an investment banking and equity sales arm. The banking foray may follow if the two new ventures deliver. "There is a huge opportunity in the M&A space and in the funds segment which is fast developing in India," says Varun Bajpai, Managing Director (Corporate Finance) at Macquarie India. Macquarie is eyeing the big-ticket real estate and infrastructure sectors.

Clearly, the NBFC route along with stakes in asset management and broking arms is emerging as a scalable model for foreign banks. At least for the time being. If the Central Bank does allow foreign banks to buy into their Indian counter-parts post-2008—according to a roadmap outlined—the ball game will change and the B-team will be better placed to take on the Citis and HSBCs of India by taking over under-capitalised Indian banks (and there are quite a few of them). They may be small today in India, but don't underestimate their global financial muscle. SG, for instance, recently made a bid for one of the China's largest banks, Guangdong Bank (Citi eventually bagged it). And Macquarie is in the news for making a takeover bid for Qantas Airways. Come 2009, the Indian B-team may find itself in the thick of similar action. ■

The Scramble



SANJIT SEN

YAHOO INDIA'S SCREAMING billboards remind anybody who hasn't woken up to the fact that the internet in India is coming soon to a mobile phone near you. Several concurrent trends suggest that this is not wishful thinking. Data from the second quarter of 2006 indicates that mobile phone sales currently exceed PC sales by a factor of 14! The disparity is greater in the rural areas, home to 71 per cent of the population. In Septe-

GROWTH STORY

India represents the fastest growing mobile market in the world.

COUNTRY	POPULATION	EXISTING MOBILE BASE	NEW SUBSCRIBERS **	CAGR
US	300 million	225m	16m	9%
China	1.35 billion	443.2m	50.2m	11%
India	1.1 billion	129.5m	53.6m	31%

*September 2006

**Added in the nine months to September

for Spectrum

There are seven mobile phone operators vying for five 3G slots being vacated by the armed forces. So, how should the spectrum be priced? RAVI BAPNA and ARUN SUNDARARAJAN believe that 'bundle auctions' and subsidies for subsequent roll out are the way to go.

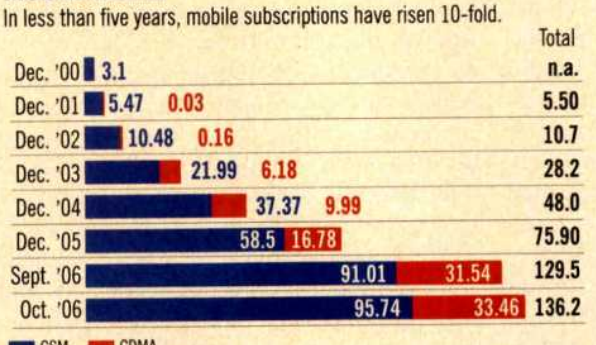
mber 2006 alone, more than 6 million new mobile subscribers joined one of the seven licenced operators, taking the mobile user base past the 120 million mark. Contrast this with a total of less than 8 million wireline internet subscribers, suggested by the June 2006 data from TRAI. A PC sold in India isn't always connected to the internet, while all mobile devices have basic data messaging capabilities, and not surprisingly, the same report also suggests increasing congestion levels on mobile networks. Together with a rapidly expanding economy, and an increasingly active consumer society, the elements are ripe for a forthcoming mobile-based internet revolution.

Yet, much of this future depends on some key policy decisions that are currently on the desk of Department of Telecommunications (DoT). Foremost, as India gears up to undertake the most ambitious expansion of its mobile infrastructure yet, it is critical that the right companies are allocated the spectrum necessary to: (a) accommodate the projected staggering growth in mobile usage; and (b) roll out the advanced high-speed wireless technologies that will form the backbone for mobile electronic commerce in the near future. While much of the debate is being carried out under the banner of spectrum allocation for high bandwidth "3G" services, its context is larger and the policy implications are wider.

It is useful to begin by establishing that the spectrum in question, a certain electromagnetic chunk of the air above us, is a scarce resource, and one that belongs to the public at large. Cellular operators need access to this spectrum to carry voice and data over their networks, and companies around the world have paid a range of prices, from zero in countries such as Luxembourg and the Czech Republic, to $87.5 million in Slovenia, all the way up to $34 billion for five licences in the UK. However, it is important to realise that to roll out a new generation of mobile services, spectrum is necessary but not sufficient. The realised value of this public resource

Mobile Mania

In less than five years, mobile subscriptions have risen 10-fold.

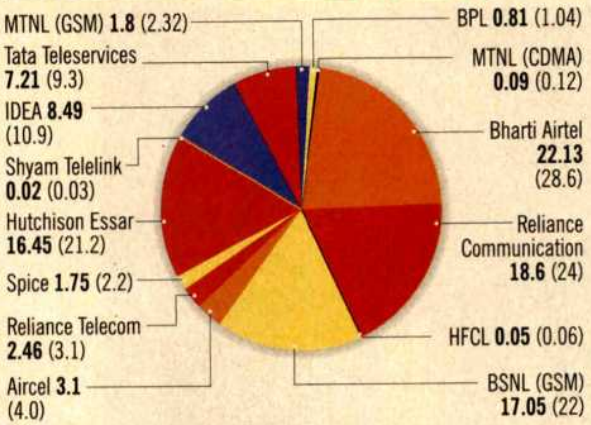


* The total figure may vary a little from the combined GSM-CDMA numbers in million

The Stack-up

Bharti is the market leader, followed by Reliance Communications.

TOTAL NUMBER OF SUBSCRIBERS: 129.5 million

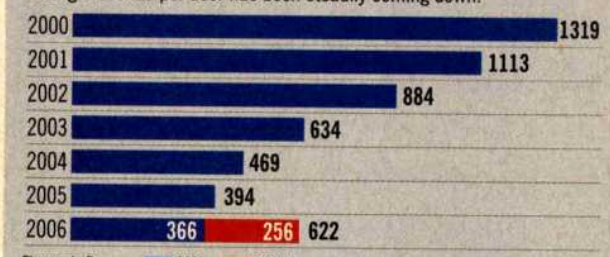


Figures in bold are market share in per cent; and figures in brackets are numbers in million

PINAKI PAUL

Large But Cheap

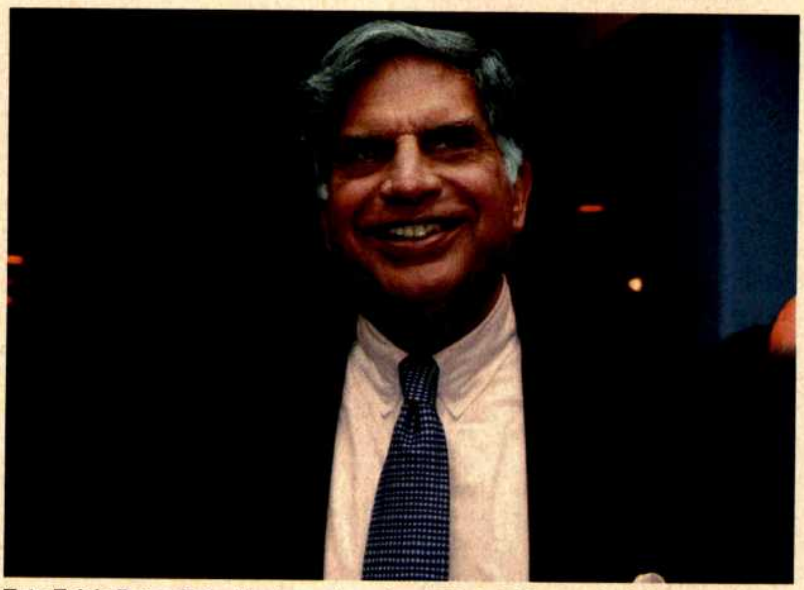
Average revenue per user has been steadily coming down.



Source: TRAI, COAI, AUSPI

and whether the promise of 3G to the common man will be fulfilled also depends on the extent of infrastructure and equipment deployment to follow. The true capacity of 3G depends on not just the frequency of spectrum, but on the extent of massive capital investments in infrastructure (for instance, the density of base stations) that companies choose. Further, better infrastructure implies more bandwidth and greater coverage, which, in turn, provides a richer infrastructure for mobile commerce. This is important because whether the upcoming allocation of spectrum translates into the ability of a Mumbaikar to watch a streamed Bollywood classic on the long commuter train ride home, or the ability of a rural farmer to get customised instructional help on nurturing the latest fruit varietals given his micro-climate, or an enterprise capability to seamlessly string together a mobile videoconference on the fly also depends on subsequent entrepreneurial activity in mobile application and commercial development.

To summarise, the value proposition of 3G lies in making the spectrum available efficiently, ensuring adequate subsequent infrastructure roll-out and providing the right incentives for innovation in providing the content and commerce that will follow.



BHASKAR PAUL

Tata Tele's Ratan Tata: He has put a price of Rs 1,500 crore for 3G spectrum

Allocating 3G Spectrum

Given that we have up to seven operators vying for five 3G slots that are being vacated by the Defence, a well-designed lump-sum fee spectrum auction is an effective way of identifying the most capable companies. Yes, an auction is clearly better than a "beauty contest" in which allocation decisions can often be flawed because of politics or an incomplete understanding of the true capabilities of the contenders. However, it is equally important that we utilise the current state-of-the art in spectrum auction and mechanism design. This includes allowing for bidders to use so called "bundle bids" to express complementarities in their valuations for getting, say, an extended urban area or a certain contiguous region to derive economies of scale. Under such a scheme, bidders could jointly bid for, say, Delhi and Punjab and Haryana, or submit a bid that reflects synergies in the market for Mumbai and Maharashtra. These synergies are natural if one factors in the ability to share marketing and customer service infrastructure and reduce roaming charges to subscribers. While bundle auctions are mathematically complex, significant recent advances have been made in reducing the computational burden of such auctions. For instance, the Adomavicius and Gupta combinatorial auction from the University of Minnesota presents a user-friendly and real-time English auction-like version of such a mechanism.

It is also worth noting that India's mobile market is brutally competitive, and the desire to win will likely cause companies to overbid for their licences. This is risky, because the winning firms may end

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• *Picture: Basilica of Bom Jesus, Goa*

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up saddled with excessive debt and an inability to raise the capital needed to profitably build out their infrastructure. This in turn will hurt the evolution of mobile commerce in the country.

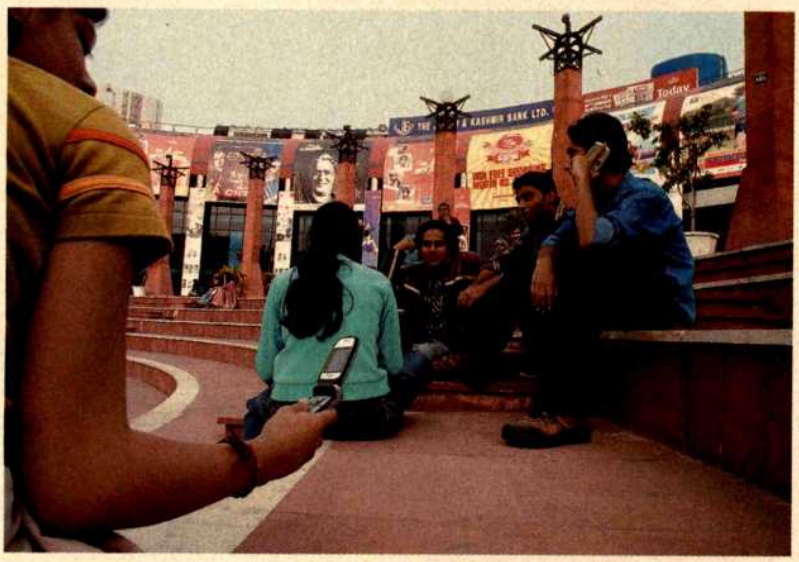
Keeping in mind the need for rapid infrastructure buildout following the allocation of spectrum, we recommend that the licence revenues be utilised to subsidise the future deployment of infrastructure. This can be achieved by providing the winning firms infrastructure buildout subsidies that are proportionate to their winning bids and their subsequent on-the-ground activity. This will favour those companies that have the desire, capability, capital and plans to deploy the best infrastructure possible over ones who bid a lot for spectrum and then don't build out sufficiently. True, this could inflate spectrum bids, since companies will adjust for getting back some of their bid as a subsidy. But this is not necessarily a bad thing, because it aligns private and social incentives, by committing the winning companies to putting in future infrastructure. The key idea is that once the spectrum is won, the cost of winning the bid is sunk, and the subsidy gives companies steeper returns from infrastructure deployment, which increases their incentive to do so, and accelerates both the pace and quality of the backbone for mobile ecommerce.

Will the Indian Mobile Net be Neutral?

In case you are wondering why the subsidy should be given to the operators and not, say, to the future content and commerce providers, you are onto something fundamental. A passionate debate along similar lines is now under way in the US, under the banner of "net neutrality". Should an ISP be allowed to charge you higher rates for visiting Google rather than Yahoo? Is it in the spirit of the net to start looking inside data packets to ascertain where a packet is going, or what application it belongs to? Should a VOIP packet at a given router be preferred over a WWW packet, or priced differently? Should a minority inner-city neighbourhood be given the proverbial bypass on the information superhighway?

Once the spectrum is won, and sufficient infrastructure is put in place, it is reasonable to assume that carriers will need to do what they can to recoup their investment and maximise their rate of return. They will be tempted to translate their control over the channel into discriminating in favour of content providers who are either owned by them, or who pay them better licencing fees in exchange for access. This reduces the incentives of independent content providers to innovate, because of what economists call a threat of "holdup", and a fear that they will not get enough returns on their innovation because the infrastructure provider will extract disproportionate economic rents. A similar story played out for a long time in the past with long distance telephony in the US, where the local access provider charged the long-distance providers a hefty percentage per minute. Currently, the wireline Net is neutral in the US, and the debate isn't likely to end soon. The key lesson for us in India is that we have to be careful not to commit to policy that gives the infrastructure owners too much power, since they could strangle future innovation in content, commerce and application development. But yet, they have to have enough skin in the game to feel comfortable spending billions on the spectrum and infrastructure so that the content and commerce emerges.

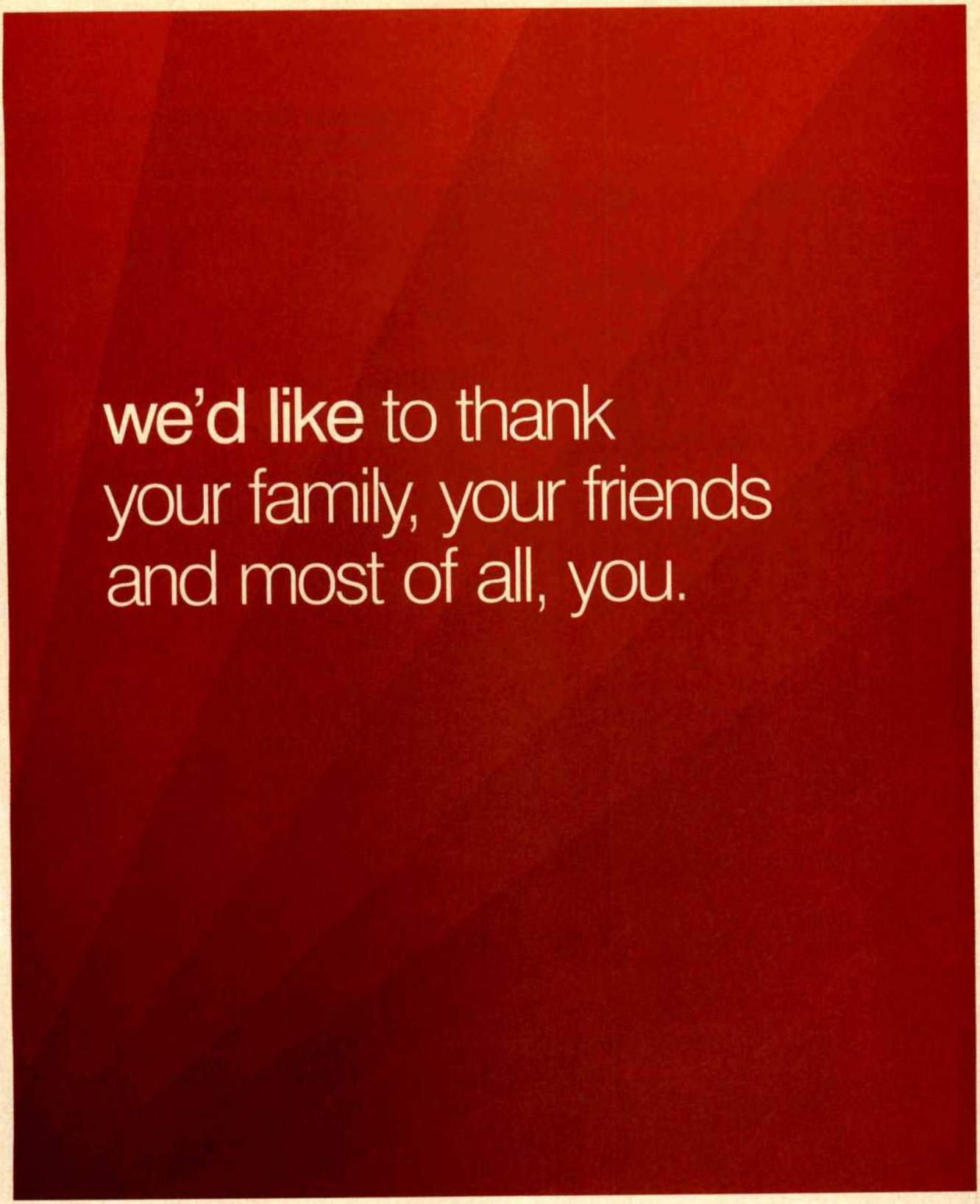
All told, there is a delicate balance to be struck, one that calls for a national debate and the use of global thought leadership. The future of e-commerce in India rests on it. ■



SAPTARSHI BISWAS

Mobile mania: Wireless telephony is all the rage

(Ravi Bapna is faculty member at the Indian School of Business and is the Executive Director of the Centre for IT and the Networked Economy. Arun Sundararajan is a faculty member at NYU's Stern School of Business and Director of the IT Economics track at NYU's Centre for Digital Economy Research)



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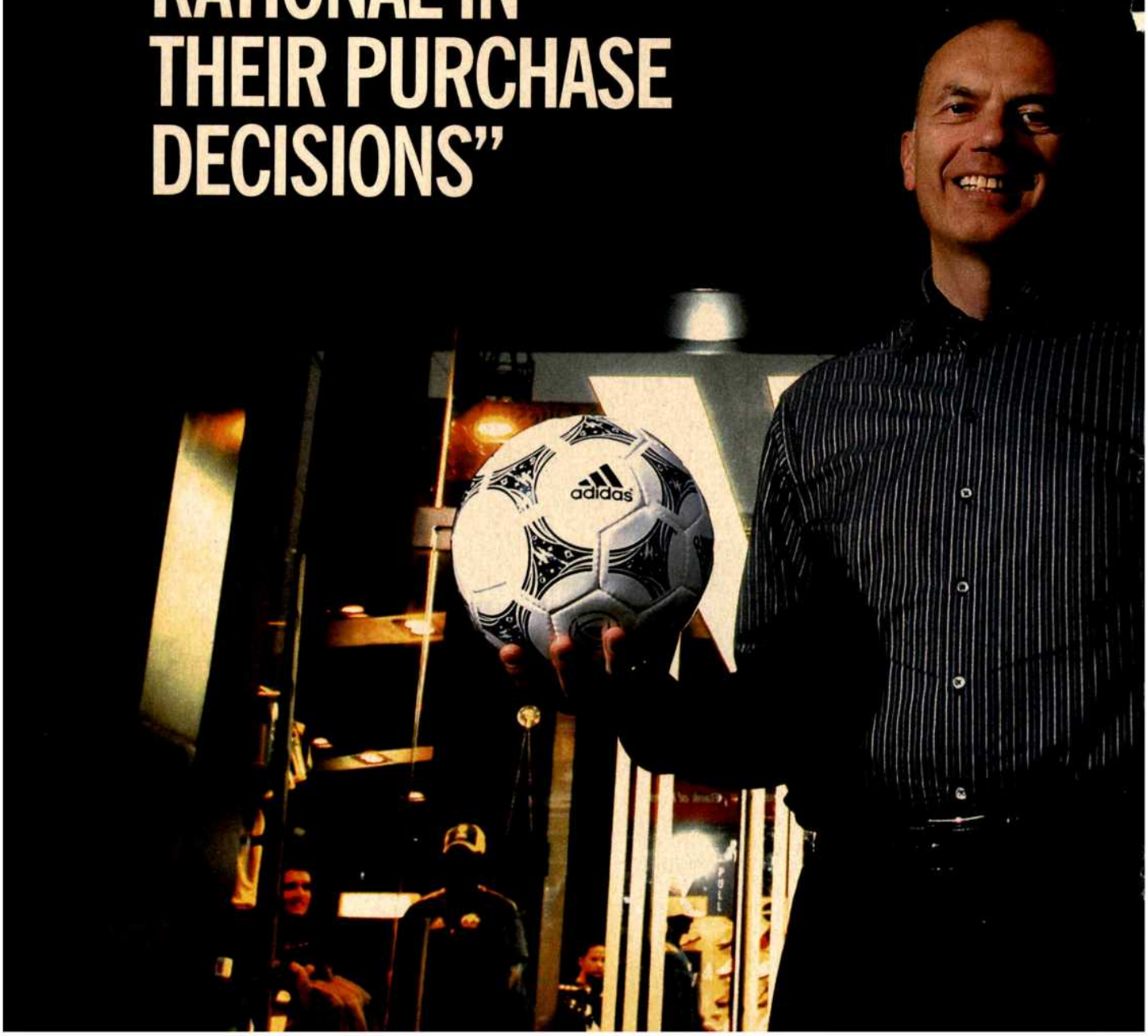
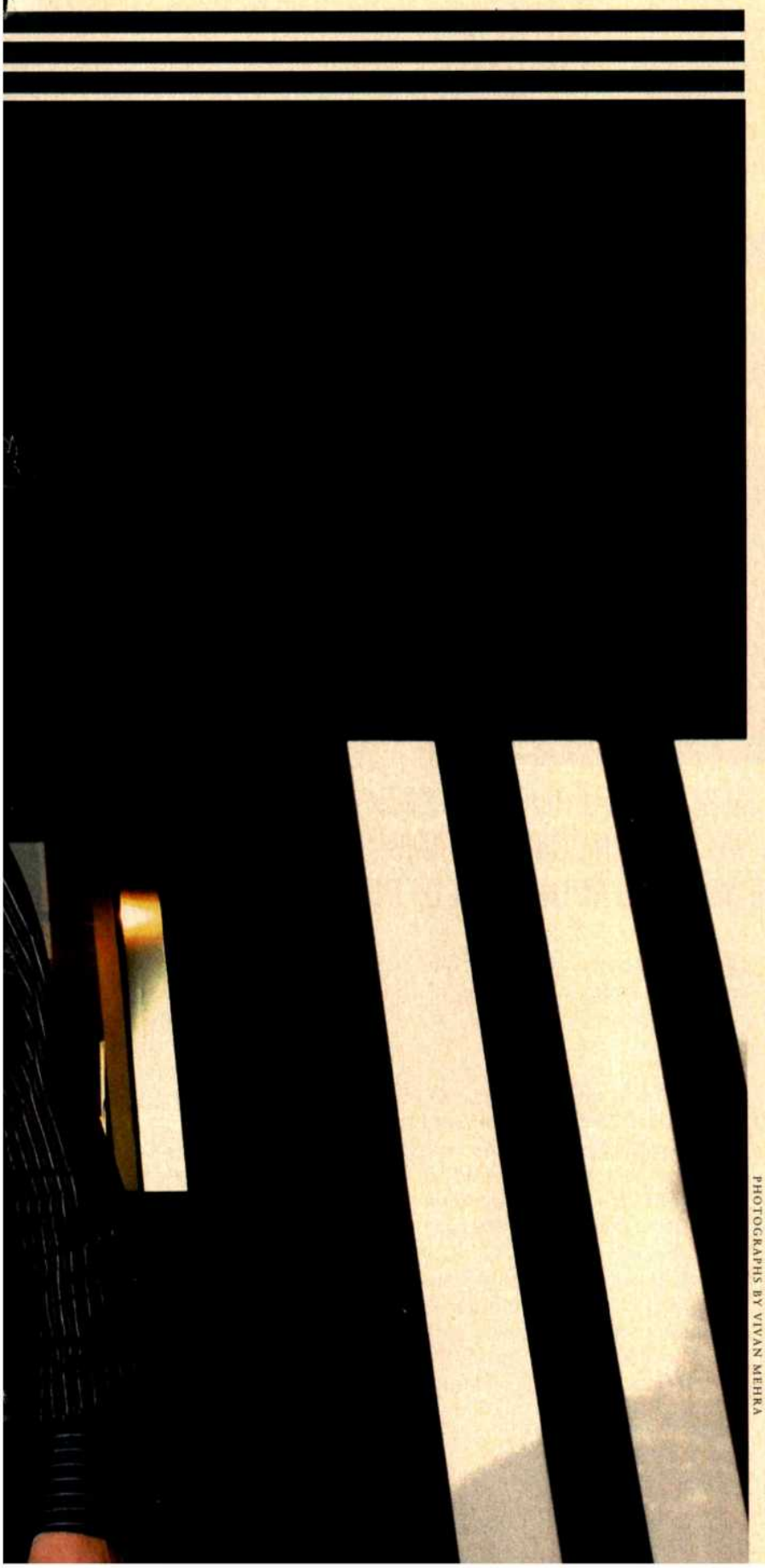
"THE INDIAN CONSUMERS ARE VERY RATIONAL IN THEIR PURCHASE DECISIONS"





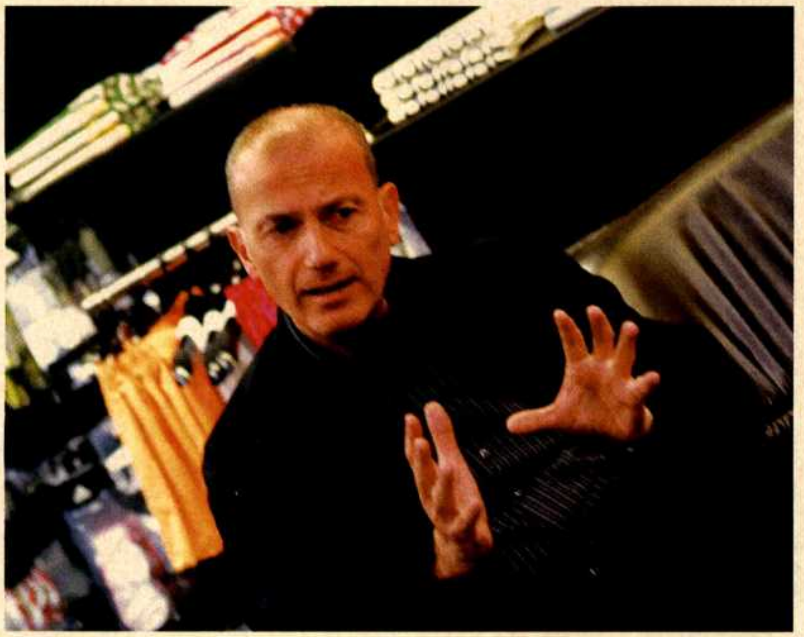
PHOTOGRAPHS BY VIVAN MEHRA

ERICH STAMMINGER, 48, *has spent 23 out of 24 years of his professional career with adidas, the second-largest global sports and apparel company. He was appointed to the Executive Board of the company in 1997 and since 2000, he has been the Board Member for Global Marketing. Stamminger is credited with the transformation of adidas into a truly global sports brand in the past one decade. No wonder, early this year, when he was appointed the President and* CEO *of the adidas brand, Herbert Hainer, the Chairman and the* CEO *of adidas* AG, *commented that "there was no other person in the world who had a better and deeper understanding of the adidas brand". On his first-ever visit to India, Stamminger, along with Asia-Pacific and India heads, Christophe Bezu and Andreas Gellner, respectively, met* **BT's R. Sridharan** *and* **Archna Shukla** *and discussed adidas' marketing and brand strategy for smaller markets like India, growth plans for Asia and Reebok, the other big sports and lifestyle brand that adidas acquired last year. Excerpts:*

If one takes out the Reebok acquisition, growth for adidas has been modest over the last five years.

Experience shows that it makes much more sense to grow consistently and to build a solid foundation rather than going up and down. When I moved to the US three years ago to take charge of the market, I decided not to push the business but to consolidate it. I decided that we would look at growing in solid double digits on a consistent basis instead of looking for brief spikes. And this has been the overall strategy for growth of the adidas brand.

Are you saying that for you profitability is more important than market share?
Definitely. We are the leading global sports and apparel company in the world and, of course, we aim to be the #1 player in each and every market and segment that we are present in, but this ambition will never be realised at the cost of profitability. It is our philosophy that if you have a profitable business, you generate enough resources that, in return, can be invested back in building the brand and thus, you create a solid long-term business model.



"WE AIM TO BE THE #1 PLAYER IN EACH AND EVERY MARKET AND SEGMENT, BUT THIS AMBITION WILL NEVER BE REALISED AT THE COST OF PROFITABILITY"

But your profit margins, both for Reebok and adidas, have been under pressure and have declined in the first half....
That's mainly because our marketing spends went up significantly this year on account of the World Cup. And we look at our branding expense as an investment. Marketing and communication is paramount for a lifestyle brand like ours. For instance, in 2002, we made heavy marketing investments in Asia, mainly Korea and Japan and the result was that we soon became market leaders in Japan. So, this kind of expense is a part of our strategy, as it helps in building a strong foundation for the brand.

Asia seems to be a very important market for adidas. That's somewhat surprising because one would have expected the US to be a stronger market for you. So what do you think has helped adidas better connect with the consumers in Asia?
One key point is that a lot of consumers see adidas as a truly global brand. Most consumers in this part of the world don't even know where adidas comes from and they confuse it as an American brand. Whereas in the US, there is higher brand consciousness. Then, we have had an excellent management in Asia in the last 5-10 years, which also had a voice in the global development team. We have our design centres in markets like Japan, Korea and Hong Kong and are building a new centre in Shanghai. We are developing new products in Asian markets. So this brings us close to the local consumers and builds a better rapport with them.

Where does India stand in terms of your Asian strategy? Are there any learnings from the other Asian markets that you have brought to India or is this a different animal?
India is a fairly small market for us, with an addressable consumer universe of around 5-6 million as against China's 35 million. Yet, for market strategies, it cuts both ways. Since in other Asian markets we are further down on the road and, hence, have a better consumer perspective, which we try to bring into India. That said, India is as distinct as any specific market is from another and hence, calls for a different local growth and development strategy.

What are the insights that adidas has gathered about the average Indian consumer who shops in your stores?
I won't know the difference in comparative terms, but I am told that Indian consumers are very rational in their purchase decisions. For them, the brand name is important. I think they will consider entering your store only because

of the brand you are but they always need a rational argument about the functionality and utility of the brand before making the final purchase decision. So brand is important but not the only trigger for a purchase decision. As for Asian consumers put together, our research shows that they are generally better educated.

Have you had to do any innovations for Indian consumers given the fact that besides the brand name, functionality is an important issue for them?

We usually launch all our international innovations in India. One Indian innovation, however, has been the launch of our cricket shoe range, although even this range was developed internationally with inputs from India. So, we can't really call it an Indian innovation. India is not an innovation centre for us.

Reebok, so far, continues as an independent company. Are there any plans to merge the two businesses?

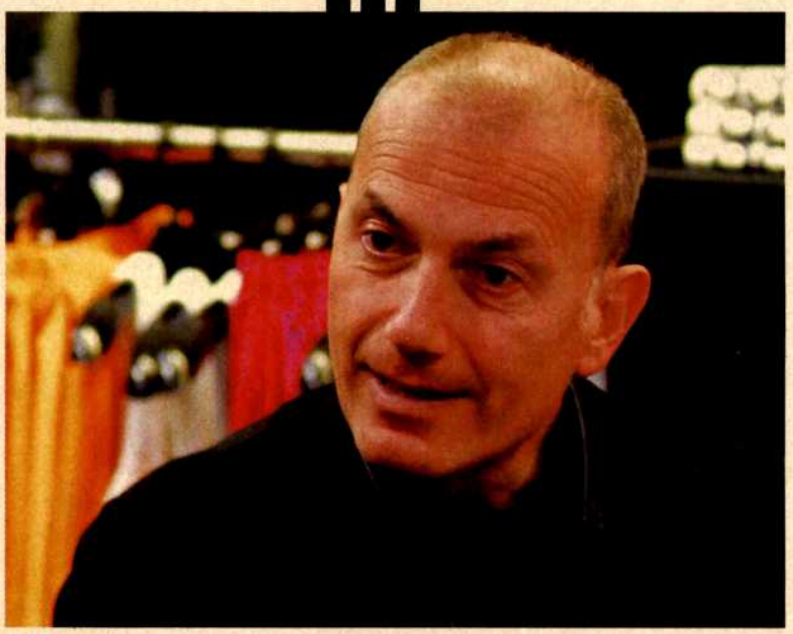
As of now, we are only looking at back-office integration, if possible. There are no plans to bring about any frontal alliances because that will require huge investments. Then, both the brands being strong and vibrant, we want to retain their individual identity because consumers are interested in the brand and not the group behind it. But there will be integration in areas where we could bring in synergies for both the companies.

Since both Reebok and adidas operate in the same sphere and target the same consumer, how will you ensure that the two don't cannibalise each other? And what will be the differentiators for the two brands?

You are right that both Reebok and adidas are strong sports brands, but, then, both have distinct roots and backgrounds. adidas, for instance, is a more global brand with a stronger focus on sports. We are involved with all big sports with a thrust on performance and we develop the fashion part in a smart way without jeopardising the basic brand premise. Then, the brand also has a strong European image. Even if consumers don't know that it comes from Germany, they know that it is a European brand. Reebok, on the other hand, is more of an American brand. It stands for everything American and is popular among consumers who identify better with American way of life. Reebok is more aligned with American sports. And, we intend to keep this difference in the two brands alive. Yet, there will be some common ground where the two brands might come in direct competition. In such situations, our effort will be to ensure a healthy competition between the two brands.

What will be your retail strategy for India now that majority foreign ownership is allowed in single-brand chains?

Our focus has been on establishing our own stand-alone stores instead of multi-brand stores. A year ago, we had 101 stand-alone stores, whereas now we have 226 stores. And now, almost 75 per cent of our business comes from stand-alone stores. We prefer stand-alone stores to multi-brand stores because, for one, logistics management becomes fairly streamlined in our own stores, and we have a better control over inventory movement. Then, we are able to ensure a better brand experience for consumers. Also, in single stores, we get better consumer insights than multi-brand stores. ■



"WE PREFER STAND-ALONE STORES TO MULTI-BRAND STORES. THEN, WE ARE ABLE TO ENSURE A BETTER BRAND EXPERIENCE FOR CONSUMERS"

Airtel's young executives: Hot property in the job market

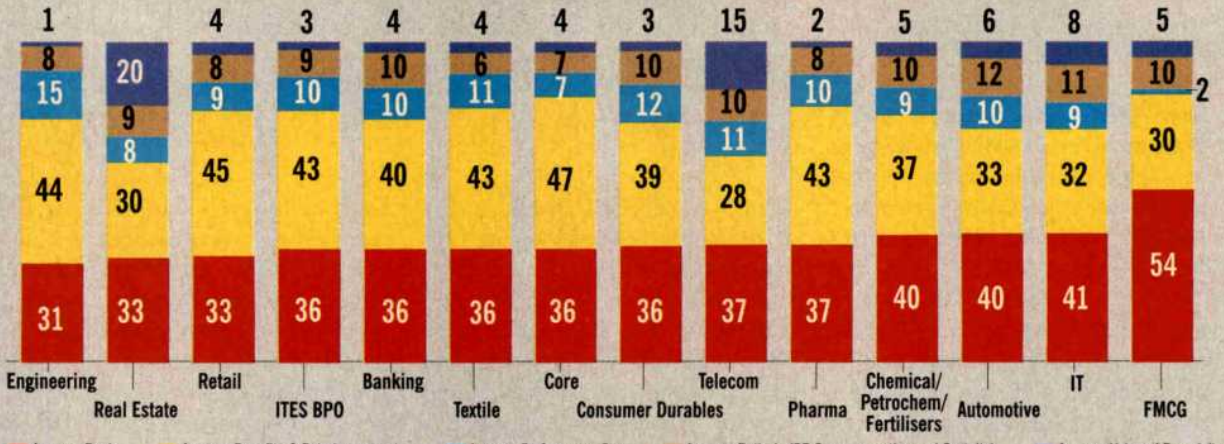
RAJKUMAR

BOOM AT THE BOTTOM

Junior management salaries are soaring, with automotive, FMCG and telecom companies doling out the biggest salaries. A *BT*-Omam Consultants survey.

AMAN MALIK

Industry-wise Comparison of the Salary Components (JM I)



Figures in percentage

JM I: Represents Head of a relatively small section. Typical designations: Manager/Dy Manager

RITESH SHARMA

Samsung's young ones: Getting a taste of MNC culture

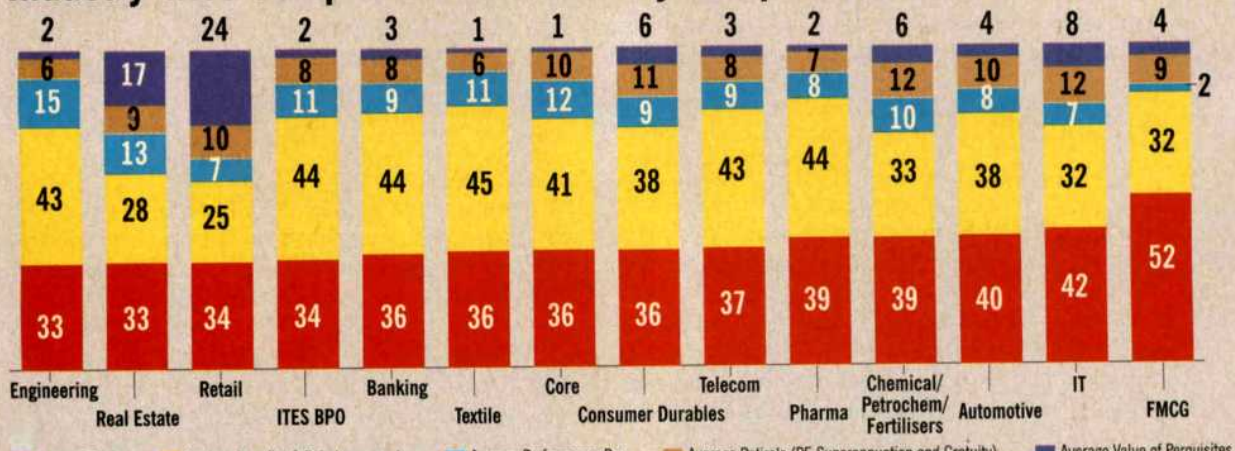
INDIA INC. IS ON A SHOPPING SPREE; ONLY, THIS time for a rare commodity—talent. And if figures—such as those thrown up by the *BT*-Omam Salary Survey for Junior Management, which looks at remuneration in over a hundred companies across 14 sectors—are any indication, India Inc. appears to be going all out to woo and retain talent. The numbers only confirm the classic demand-supply dynamic that governs who gets paid how much. The faster the growth in a sector, the hungrier it is for talent and the higher it is willing to pitch for it.

Consider this: management trainees (MTs) from a second-rung B-school at a reputed FMCG company, can, upon conformation, demand anything from Rs 50,000-1 lakh—and get it. Incidentally, nearly a tenth of the total compensation offered to the junior management cadre across sectors is now variable and based on performance; basic pay constitutes only about 30-50 per cent of the package. And if you are working for a frontline IT or telecom company, you could be making twice as much as your counterparts in sectors like textiles and engineering.

The last point, say HR managers, is alarming. The results of the survey indicate that the average payout across sectors has risen steadily, but they also point to the fact that the stupendous growth in the services sector is creating problems for the manufacturing and heavy engineering sectors. "IT and telecom companies are poaching from companies like ours," laments P.V. Bhide, President (Corporate HR), JK Paper, "and now, with retail on the verge of take off, the situation will worsen. The manufacturing sector often cannot match the compensation offered by these sectors." This race for talent has had its impact on the balance sheets of companies. "The wage bill, which was earlier never a problem, is now a significant cost; one that will only rise," says the HR head of an automotive major.

Rakesh Sharma, VP (HR), Dabur Pharma, however, offers a different take on the matter. "The issues are really those of education and mobility," he says. Employers say they find it hard to convince junior management employees, especially MBAs from top-rung B-schools or technical graduates from well-known institutes, to move to mofussil towns where most manufacturing units are located. "A graduate from one of the top B-Schools or engineering colleges will want to work in a metro and will, therefore, in all probability, be absorbed by the banking, financial services and insurance (BFSI) or services sectors. Besides, their salary expectations are very high," says Bhide. Old Economy companies face other problems as well. Often, their only selling point is the job security that the manufacturing sector offers. But this cuts little ice, forcing manufacturing companies

Industry-wise Comparison of the Salary Components (JM II)

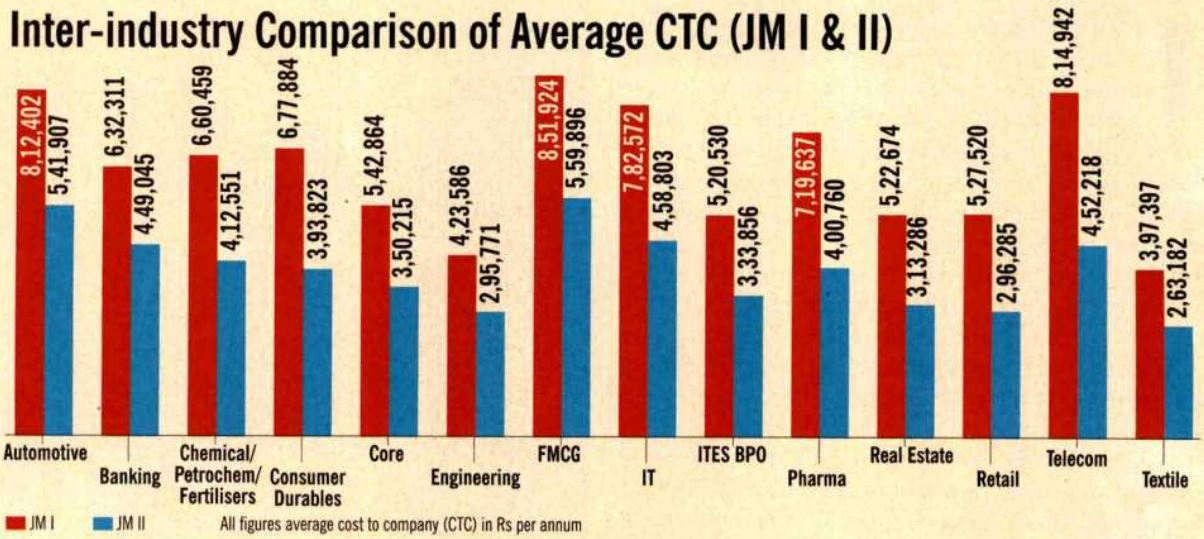


Figures in percentage

JM II: Represents frontline executives at the operating level. Typical designations: Assistant Manager/ Senior Executive/Executive

KULDEEP

Inter-industry Comparison of Average CTC (JM I & II)



to visit lesser known B-schools and technical institutes, often those located in or near their areas of operation.

This, however, is not to say that the "offenders" (as the HR head of a consumer durables major would like to call them) have had it any easier. "True, we have enough people willing to join the telecom sector," says Atul Khosla, HR Head, Bharti Airtel, "but there is still an acute shortage of quality talent." Most HR heads that *BT* spoke to, agreed with this assessment. Says Tapan Mitra, Chief, HR, Apollo Tyres: "We are constantly endeavouring to attract and retain the right talent."

And, it appears, companies are going to any length to do that. Some, like Dabur Pharma, have hiked their compensation packages by as much as 45 per cent (from Rs 4.5 lakh to Rs 6.5 lakh per annum) over the last one year. Others, like Tata Motors, claim that "trainees are now blooded in live projects, including in the expansion plans".

But none of these have impacted attrition rates. While IT and ITeS companies consider it "normal" to lose nearly a third of new recruits within a year, the FMCG and consumer durables industries have seen attrition rates climb to 12-15 per cent. This is forcing some companies to resort to desperate measures. But most HR personnel think that such strategies will not go too far. "You can call a sales executive an area manager and retain him for a while, but eventually, it is the job profile and growth prospects that matter," says Sanjay Bali, Head (HR), Samsung India.

This brings us to the inevitable trade-off between growth and money. If you are a second-year management student, should you aim for big money (and become an investment banker or a consultant) or should you look to fast-track your growth and give money a pass for a while (and choose, say, telecom, which does not offer comparably high compensation to start with)? Most managers think you should go for the second option. "Areas like investment banking, though financially rewarding, offer little scope for qualitative and divergent growth," says Bhide, adding, "besides, most people burn out by the time they are 35." Khosla agrees: "I would say that a young management graduate should invest the first three-to-five years in himself and look for avenues to climb up the corporate ladder rather than looking for money right away."

The last word of course, hasn't been said yet. ■

METHODOLOGY

TO CAPTURE COMPENSATION TRENDS IN CORPORATE INDIA, *Business Today* collaborated with the Delhi-based research consultancy, Omam Consultants, to publish data on salaries across a range of industries (14) and companies. The survey covers junior managers. This is the first of *BT*'s annual salary sweeps for 2006. For the current survey, Omam compiled management trainee salaries across 102 companies in 14 sectors. Since salary data is confidential, the names of the companies have not been revealed. However, the sectors have been mentioned in the survey, and these are: automotive, banking, chemicals/petrochemicals/fertilisers, core, consumer durables, engineering, FMCG, IT, ITES-BPO, pharma, real estate, retail, telecom and textiles. The survey looks at compensation data from a number of angles, including inter- and intra-industry averages.

The Omam team that collated and analysed the data was led by Director Rajeeva Kumar, Executive Director Anil Koul, and Senior Manager Ashutosh Kumar.

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JUNIOR MANAGEMENT SALARY SURVEY 2006

DESIGNATION		COMPONENT (A) BASIC SALARY	COMPONENT (B) BENEFITS & REIMBURSEMENT	COMPONENT (C) PERFORMANCE PAY	COMPONENT (D) RETIRALS	COMPONENT (E) VALUED PERQUISITES	CTC AVG ANNUAL
AUTOMOTIVE							
Company1	JM I	18,894	27,143	5,145	3,276	794	6,63,024
	JM II	14,349	20,544	3,926	2,512	794	5,05,500
Company2	JM I	17,350	24,532	5,417	4,684	3,033	6,60,192
	JM II	11,580	17,427	3,931	3,127	2,530	4,63,140
Company3	JM I	33,325	19,995	4,999	10,601	3,583	8,70,030
	JM II	18,350	11,010	2,753	5,838	3,265	4,94,592
Company4	JM I	22,425	19,741	12,334	6,012	2,334	7,54,152
	JM II	16,060	14,648	8,833	4,305	2,080	5,51,112
Company5	JM I	25,640	36,811	11,828	8,157	1,931	10,12,392
	JM II	22,090	18,168	5,523	7,028	2,335	6,61,728
Company6	JM I	31,240	21,426	5,500	10,123	2,445	8,48,808
	JM II	23,260	16,174	2,583	7,542	2,080	6,19,668
Company7	JM I	28,565	35,304	9,246	9,086	4,288	10,37,868
	JM II	16,350	18,622	5,396	5,201	4,078	5,95,764
Company8	JM I	17,840	31,347	4,542	5,675	2,849	7,47,036
	JM II	10,930	21,056	3,917	3,478	2,849	5,06,760
Company9	JM I	22,325	28,680	500	5,539	2,799	7,18,116
	JM II	14,750	18,625	500	3,659	2,374	4,78,896
ENGINEERING							
Company1	JM I	9,050	15,417	2,563	2,879	1,000	3,70,908
	JM II	6,104	10,417	1,813	1,942	850	2,53,512
Company2	JM I	20,200	19,697	6,426	4,040	0	6,04,356
	JM II	13,160	14,681	4,186	2,632	0	4,15,908
Company3	JM I	15,120	19,001	0	4,810	1,875	4,89,660
	JM II	8,960	10,046	0	2,850	1,250	2,77,266
Company4	JM I	8,201	21,900	0	2,608	1,250	4,07,508
	JM II	6,786	20,468	0	2,158	1,150	3,66,744
Company5	JM I	12,030	15,396	5,417	3,827	800	4,49,634
	JM II	7,490	11,647	4,167	2,383	0	3,08,244
Company6	JM I	11,857	12,284	1,994	3,952	1,200	3,75,444
	JM II	9,134	9,661	1,688	3,040	850	2,92,476
Company7	JM I	13,278	8,698	7,642	2,471	0	3,85,068
	JM II	7,660	7,061	4,743	1,527	0	2,51,892
Company8	JM I	12,722	11,074	6,036	3,156	759	4,04,964
	JM II	8,111	5,794	6,298	2,012	305	2,70,240
Company9	JM I	10,844	13,232	1,823	0	1,162	3,24,732
	JM II	7,580	8,750	1,850	0	625	2,25,660
REAL ESTATE							
Company1	JM I	17,640	17,770	3,400	2,965	1,600	5,20,500
	JM II	13,200	13,466	2,500	2,219	1,600	3,95,820
Company2	JM I	16,250	32,500	1,459	2,732	1,000	6,47,292
	JM II	13,000	11,500	833	2,185	500	3,36,216
Company3	JM I	13,475	21,788	7,292	4,287	2,025	5,86,404
	JM II	7,633	14,528	6,250	2,428	1,000	3,82,068
Company4	JM I	16,511	18,935	3,302	2,775	0	4,98,276
	JM II	10,643	11,861	2,129	1,789	0	3,17,064
Company5	JM I	19,250	14,575	8,085	3,236	0	5,41,752
	JM II	10,500	8,883	4,410	1,765	0	3,06,696
Company6	JM I	13,125	23,113	0	2,207	0	4,61,340
	JM II	8,190	10,327	0	1,377	0	2,38,728
Company7	JM I	12,658	13,548	1,042	2,127	0	3,52,500
	JM II	7,425	8,438	625	1,248	0	2,12,832
Company8	JM I	16,135	21,085	0	2,713	7,844	5,73,324
	JM II	11,760	12,168	0	1,977	500	3,16,860

All figures are averages in Rs

Junior Management I represents Head of a relatively smaller section. Typical designations: Manager/Dy Manager

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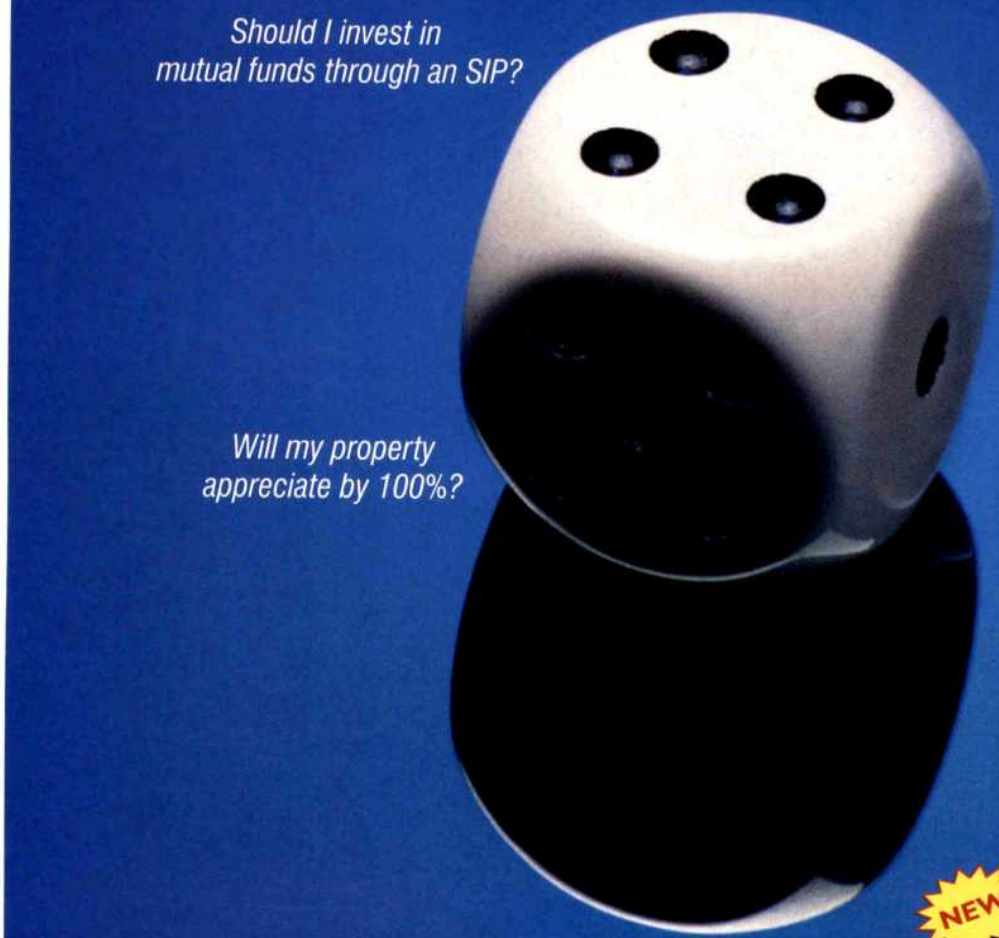

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RETAIL						
Company1 JM I	22,500	19,675	5,105	3,782	0	6,12,744
JM II	13,960	12,985	3,120	2,346	0	3,88,932
Company2 JM I	17,325	13,113	4,991	2,912	0	4,60,092
JM II	9,450	8,058	2,722	1,589	0	2,61,828
Company3 JM I	16,873	20,699	5,166	2,837	600	5,54,100
JM II	8,096	11,049	2,615	1,361	600	2,84,652
Company4 JM I	8,825	22,324	4,962	1,484	7,000	5,35,140
JM II	5,127	12,311	2,439	862	600	2,56,068
Company5 JM I	13,169	19,300	4,344	2,214	600	4,75,524
JM II	8,030	11,534	2,648	1,350	600	2,89,944
CORE						
Company1 JM I	13,000	10,416	910	4,142	880	3,52,176
JM II	10,000	7,866	700	3,186	880	2,71,584
Company2 JM I	13,985	17,358	4,474	4,449	2,750	5,16,192
JM II	10,485	13,010	3,352	3,335	2,750	3,95,184
Company3 JM I	46,458	17,183	3,870	14,778	6,800	10,69,068
JM II	21,267	11,600	1,772	6,765	3,633	5,40,444
Company4 JM I	15,000	19,979	5,000	2,522	0	5,10,012
JM II	9,917	14,666	2,917	1,667	0	3,50,004
Company5 JM I	12,318	12,852	4,311	2,069	1,750	3,99,600
JM II	9,508	5,336	3,328	1,597	1,750	2,58,228
Company6 JM I	23,606	15,226	4,722	5,349	750	5,95,836
JM II	14,384	8,800	2,877	2,418	0	3,41,748
Company7 JM I	16,703	9,680	13,862	6,688	5,011	6,23,328
JM II	13,504	6,330	11,303	5,250	4,051	4,85,256
PHARMACEUTICALS						
Company1 JM I	16,330	7,610	16,774	5,195	9,833	6,68,904
JM II	9,833	6,869	9,193	3,128	0	3,48,276
Company2 JM I	34,500	59,833	8,000	10,971	2,500	13,89,648
JM II	20,000	33,750	4,167	6,360	1,250	7,86,324
Company3 JM I	21,150	15,750	1,125	3,555	0	4,98,964
JM II	13,430	8,540	1,125	2,258	0	3,04,231
Company4 JM I	28,615	17,265	5,723	7,037	542	7,10,184
JM II	14,573	7,048	2,915	3,179	0	3,32,580
Company5 JM I	22,596	18,491	833	7,188	83	5,90,292
JM II	10,969	9,710	833	3,489	0	3,00,012
Company6 JM I	13,144	25,139	10,417	4,181	1,000	6,46,572
JM II	9,486	16,993	5,833	3,017	750	4,32,948
Company7 JM I	23,206	21,673	4,450	5,825	0	6,61,848
JM II	12,766	12,835	2,445	2,146	0	3,62,304
Company8 JM I	14,030	19,115	9,917	4,962	1,200	5,90,688
JM II	5,808	14,328	5,861	2,287	0	3,39,408
BANK						
Company1 JM I	19,888	10,832	2720	6,326	9,493	5,91,108
JM II	16,690	10,190	2080	5,309	7,573	5,02,104
Company2 JM I	9,709	36,931	13333	1,632	6,800	8,20,860
JM II	3,779	18,354	8000	635	5,466	4,34,808
Company3 JM I	17,500	9,500	1950	4,091	7,450	4,85,892
JM II	8,950	4,025	815	2,847	7,550	2,90,244
Company4 JM I	22,654	8,342	2133	7,206	13,078	6,40,956
JM II	20,190	6,742	1333	6,422	11,600	5,55,444
Company5 JM I	16,854	12,746	1600	5,362	15,333	6,22,740
JM II	13,475	7,325	1333	4,286	12,133	4,62,624

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FMCG							
Company1	JM I	24,955	33,365	5,000	7,938	2,500	8,85,096
	JM II	19,378	19,898	3,333	6,164	1,250	6,00,276
Company2	JM I	40,595	17,871	6,089	6,824	1,583	8,75,544
	JM II	27,945	12,645	0	4,697	0	5,43,444
Company3	JM I	30,130	7,386	3,616	8,982	26,933	9,24,564
	JM II	22,080	6,053	2,650	6,582	18,750	6,73,380
Company4	JM I	16,750	29,001	11,667	5,329	750	7,61,964
	JM II	12,740	19,960	4,167	4,053	750	5,00,040
Company5	JM I	22,125	24,046	4,617	6,596	0	6,88,608
	JM II	15,750	18,308	3,406	4,696	0	5,05,920
Company6	JM I	38,042	22,733	6,771	12,101	1,667	9,75,768
	JM II	19,931	12,658	5,347	6,340	417	5,36,316
TELECOM							
Company1	JM I	31,625	27,260	8,250	10,060	0	9,26,340
	JM II	20,844	14,171	5,438	3,504	0	5,27,484
Company2	JM I	11,845	24,338	8,090	1,991	0	5,55,168
	JM II	8,648	17,330	4,756	1,454	0	3,86,256
Company3	JM I	15,094	32,808	12,578	4,046	0	7,74,312
	JM II	6,409	13,931	5,341	1,719	0	3,28,800
Company4	JM I	17,000	20,114	14,113	4,558	4,995	7,29,360
	JM II	10,256	12,167	8,480	2,749	4,495	4,57,764
Company5	JM I	30,590	46,550	8,512	5,142	0	10,89,528
	JM II	15,718	23,980	4,385	2,649	0	5,60,784
CONSUMER DURABLES							
Company1	JM I	16,450	28,699	5,562	4,442	0	6,61,836
	JM II	14,000	11,267	4,733	1,750	0	3,81,000
Company2	JM I	25,760	21,539	5,152	8,194	2,350	7,55,940
	JM II	17,159	17,973	3,432	5,458	1,450	5,45,664
Company3	JM I	10,168	41,262	7,626	3,234	2,500	7,77,480
	JM II	6,329	16,534	4,747	2,012	2,350	3,83,664
Company4	JM I	13,752	20,114	2,893	4,375	1,442	5,10,912
	JM II	6,676	11,559	2,219	2,124	192	2,73,240
Company5	JM I	22,845	25,976	1,904	7,268	1,736	7,16,748
	JM II	13,685	13,839	1,141	2,300	1,475	3,89,280
Company6	JM I	41,335	26,455	7,516	6,948	1,229	10,01,796
	JM II	20,208	12,933	3,674	3,397	1,017	4,94,748
Company7	JM I	11,680	12,550	3,504	3,482	10,660	5,02,512
	JM II	8,620	10,685	2,586	2,571	660	3,01,464
Company8	JM I	24,670	24,670	3,084	4,147	1,072	6,91,716
	JM II	15,985	15,985	1,998	2,688	985	4,51,692
Company9	JM I	9,000	27,321	5,057	1,513	1,950	5,38,092
	JM II	4,725	14,807	2,233	794	1,550	2,89,308
Company10	JM I	12,000	26,500	7,500	3,817	2,000	6,21,804
	JM II	10,000	18,000	3,500	3,181	1,000	4,28,172
CHEMICAL/PETROCHEMICALS/ FERTILISERS							
Company1	JM I	22,400	16,184	3,732	7,192	8,270	6,93,336
	JM II	12,320	9,879	2,052	3,956	4,646	3,94,236
Company2	JM I	20,720	19,291	4,167	6,591	650	6,17,028
	JM II	15,400	14,205	2,083	4,899	150	4,40,844

All figures are averages in Rs
Junior Management I represents Head of a relatively smaller section. Typical designations: Manager/Dy Manager
Junior Management II represents frontline executive at the operating level. Typical designations: Assistant Manager/Senior Executive/Executive
Component A: Basic Salary. **Component B:** Allowances & Reimbursements covering Special Allowance, HRA, Educational Allowance, Utility Allowance, LTA, Medical, Conveyance Allowance etc.
Component C: Variable Salary; **Component D:** Retirals i.e., Provident Fund, Superannuation & Gratuity
Component E: Valued Perquisites such as Company Car/Car Lease Value/Subsidy, White Goods, Lunch Subsidy, Telephone etc.

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The village itself is the art... Rural Tourism.
India has made a paradigm shift towards rural tourism by identifying villages with core competency in art, craft, distinct culture and introducing these crafts to visitors like you. So, if you are interested in picking up a unique art form or want some tips on art appreciation, then meet the experts - the people of Hodka. The women here are skilled embroidery artisans and mud work artists, while the men are skilled in traditional leatherwork. There are countless such crafts throughout the villages of India that create employment for thousands of people and are a source of entertainment for travellers. For more enchanting stories log on to www.exploreruralindia.org
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R K SWAMY BBDO MOT 1668

JUNIOR MANAGEMENT SALARY SURVEY 2006

DESIGNATION	COMPONENT (A) BASIC SALARY	COMPONENT (B) BENEFITS & REIMBURSEMENT	COMPONENT (C) PERFORMANCE PAY	COMPONENT (D) RETIRALS	COMPONENT (E) VALUED PERQUISITES	CTC AVG ANNUAL
CHEMICALS/PETROCHEMICALS/ FERTILISERS						
Company3 JM I	20,793	20,968	2,079	6,614	1,000	6,17,448
JM II	11,474	11,960	1,147	3,650	1,000	3,50,772
Company4 JM I	26,712	29,227	11,300	4,491	2,100	8,85,960
JM II	18,668	19,985	7,650	3,138	1,600	6,12,492
Company5 JM I	16,800	11,980	6,720	2,824	3,550	5,02,488
JM II	9,323	6,966	3,729	1,567	550	2,65,620
Company6 JM I	27,182	17,524	5,378	4,569	2,850	6,90,036
JM II	17,405	10,810	2,024	2,926	2,350	4,26,180
ITES-BPO						
Company1 JM I	12,900	17,500	3,333	2,168	5,748	4,99,794
JM II	8,350	9,850	2,150	1,404	3,750	3,06,044
Company2 JM I	27,625	5,521	5,209	8,788	5,729	6,34,464
JM II	12,126	4,686	3,125	3,858	4,800	3,43,140
Company3 JM I	16,992	12,507	8,125	5,405	9,646	6,32,100
JM II	9,750	8,886	6,500	3,101	7,696	4,31,196
Company4 JM I	13,450	17,500	3,333	2,261	5,748	5,07,503
JM II	9,530	10,400	2,500	1,602	3,750	3,33,384
Company5 JM I	8,854	6,746	3,650	2,816	5,333	3,28,788
JM II	6,475	5,325	3,300	2,060	4,133	2,55,516
TEXTILE						
Company1 JM I	18,239	12,629	983	2,189	1,478	4,26,216
JM II	10,464	8,130	983	1,256	1,064	2,62,764
Company2 JM I	19,386	4,767	0	4,516	4,400	3,96,828
JM II	12,038	3,283	0	2,247	950	2,22,216
Company3 JM I	17,898	7,995	917	2,148	957	3,58,980
JM II	11,845	5,079	917	1,421	540	2,37,624
Company4 JM I	16,792	9,609	1,399	2,015	1,275	3,73,080
JM II	11,959	7,459	997	1,436	1,067	2,75,016
Company5 JM I	15,789	5,004	0	3,474	967	3,02,808
JM II	11,554	3,986	0	2,541	417	2,21,976
IT						
Company1 JM I	30,368	13,324	6,074	8,597	1,250	7,15,356
JM II	18,811	9,762	3,762	5,325	1,250	4,66,920
Company2 JM I	25,643	27,178	5,884	4,311	1,295	7,71,732
JM II	13,650	15,991	2,730	2,295	1,295	4,31,532
Company3 JM I	31,850	24,712	10,500	9,495	1,170	9,32,724
JM II	17,030	15,568	6,500	5,077	1,170	5,44,140
Company4 JM I	23,335	36,196	3,750	4,744	1,270	8,31,540
JM II	13,390	19,400	2,000	2,722	1,270	4,65,384
Company5 JM I	12,643	25,874	14,842	4,022	1,390	7,05,252
JM II	6,695	16,164	8,598	2,129	1,390	4,19,712
Company6 JM I	26,390	33,211	5,278	4,436	1,950	8,55,180
JM II	15,067	19,460	3,014	2,533	1,950	5,04,288
Company7 JM I	32,890	25,703	7,400	5,529	1,920	8,81,304
JM II	20,963	15,156	0	3,524	1,270	4,90,956
Company8 JM I	20,232	27,098	3,833	5,424	1,100	6,92,244
JM II	12,721	18,668	2,694	3,411	1,100	4,63,128
Company9 JM I	14,457	36,964	0	2,430	967	6,57,816
JM II	9,330	16,981	0	1,569	717	3,43,164

All figures are averages in Rs
Junior Management I represents Head of a relatively smaller section. Typical designations: Manager/Dy Manager
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Component A: Basic Salary. **Component B:** Allowances & Reimbursements covering Special Allowance, HRA, Educational Allowance, Utility Allowance, LTA, Medical, Conveyance Allowance etc.
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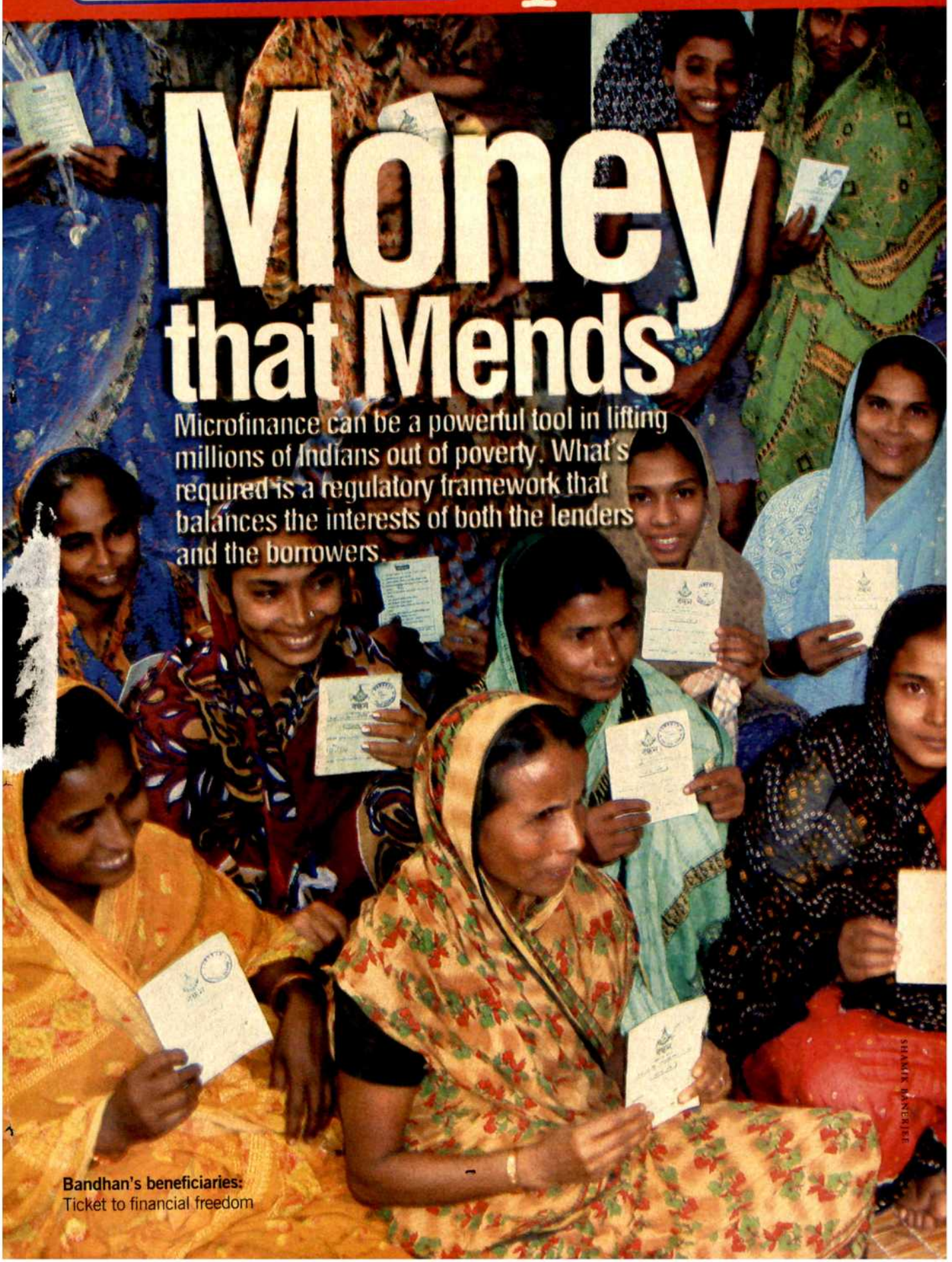
Component E: Valued Perquisites such as Company Car/Car Lease Value/Subsidy, White Goods, Lunch Subsidy, Telephone etc.

business today special

Money that Mends

Microfinance can be a powerful tool in lifting millions of Indians out of poverty. What's required is a regulatory framework that balances the interests of both the lenders and the borrowers.



SHAMIK BANERJEE

Bandhan's beneficiaries: Ticket to financial freedom

Serving the Underserved

There are more than 70 million households in India earning less than $1 a day. To make a living, they need as much as Rs 1 lakh crore in credit. Problem: There's a yawning gap between demand and supply.

E. KUMAR SHARMA & KAPIL BAJAJ

SKS Microfinance's Vikram Akula, who has disbursed Rs 484 crore, believes **anyone unserved and underserved** by banks can become a microfinance customer

SOUMIK KAR

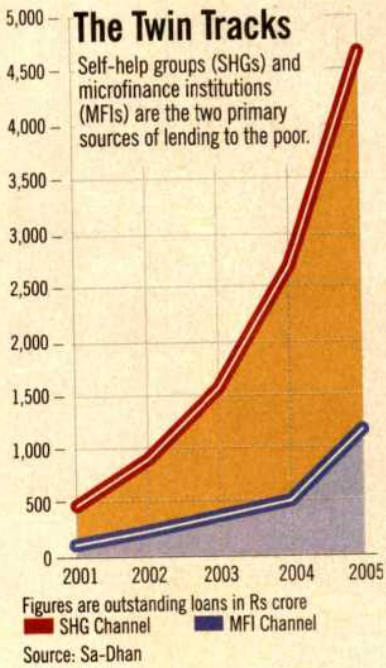
The demand for credit from people earning less than $1 a day could be double the estimated Rs 50,000 crore

FIVE YEARS AGO, CHIVUKULA Vijayalaxmi, 49, sensed a market for rexine *Bible* covers. So, raising a micro loan of Rs 6,000 from Share Microfin, she got hold of a sewing machine and put up a board outside her house in L.B. Nagar in suburban Hyderabad that simply said, 'Vijayalaxmi Rexine Works'. Today, she is busy setting up a shop backed by another loan from Share, but not so micro this time around—it amounts to Rs 50,000—and has a marketing 'team' that comprises two of her sons and vends everything from *Bible* covers to school bags to raincoats.

Some 1,500 km east from where Vijayalaxmi resides, lives of the poorest people are similarly changing. People like Rupa Bera, 30, of Bagnan, a far-flung area of Howrah. Until three years ago, Bera was living in abject poverty with their only son. Bera's husband had once tried to start some business of his own, but without success. The hardest part for the man was raising working capital. He approached various banks and other sources, but met with no luck. Then, one day, loan officers from Bandhan, a microfinance institution (MFI), came calling. Bera liked the terms at which Bandhan was offering credit, and signed up for a Rs 3,000 loan in Feburary 2003. Bera's husband turned a contractor with this money, and they haven't looked back since. A part of the extra income is now being used to send their son to school and ensure proper medical care for the family.

Vijayalaxmi and Bera are just two of the millions whose lives are getting transformed thanks to microfinance. Last financial year alone, nearly 1.5 crore of India's poor received Rs 6,500 crore in micro loans. Yet, that's just a drop in the ocean. There are about 200 million households, or a staggering 800 million people, who have no access to banks or formal financial services. The demand for credit from people earning less than $1 a day has often been estimated at Rs 50,000 crore, but more recent studies say that the actual number could be double of that. "A back-of-the-envelope calculation would suggest that anywhere between Rs 2,000 crore and Rs 4,000 crore is going into individual lending, but there is a huge potential for this to grow," says Vikram Akula, Founder & CEO, SKS Microfinance. Agrees G. Padmaja Reddy, founding director of Spandana, a Hyderabad-based MFI: "The scope for microfinance is much larger than what we understand today. Whoever is unserved and underserved by banks can really become a microfinance client."

Currently, there are about 800 MFIs and 22 lakh government-backed self-help groups (SHGs) that are the principal sources of microfinance. The latter is typically an informal association of 10-20 poor women who contribute small amounts into a savings pool. After saving regularly for six months, lending



PINAKI PAUL

GROWING, BUT NOT FAST ENOUGH

In 2005, 5.39 lakh SHGs received Rs 2,994 crore in bank loans.

	2001	2002	2003	2004	2005	2006
No. of new SHGs financed during the year	149,650	197,653	255,882	361,731	539,365	620,109
Rate of growth of loans to new SHGs (%)	N.A.	32	29	41	49	15
No. of SHGs receiving repeat loans	21,630	41,413	102,391	171,669	258,092	344,502
Proportion of repeat loans in total loans (%)	N.A.	17	29	40	32	36
Bank loans disbursed during the year (Rs crore)	N.A.	545	1,023	1,855	2,994	4,499
Of which, disbursed as new groups (Rs crore)	290	453	691	1,158	1,727	2,330
Of which, disbursed as repeat loans (Rs crore)	N.A.	92	332	698	1,268	2,169
Average loan sizes-new (Rs)	19,379	22,919	27,005	32,013	32,019	37,574
Repeat loans (Rs)	N.A.	22,215	32,425	40,660	49,130	62,960

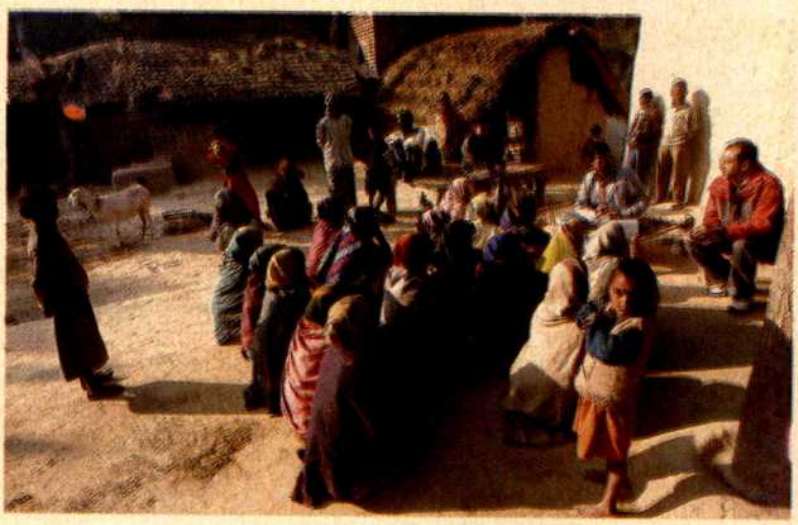
N.A.: Not available

Source: NABARD

small amounts and maintaining accounts, an SHG becomes eligible to be 'linked' to a bank, which opens a savings bank account for the SHG and offers loans up to four times the group's savings. The SHG can then on-lend the money to its members, helping them to engage in some income generation activities. The MFIs, on the other hand, comprise a mélange of NGOs, NBFCs, Section 25 companies (which are treated as charities that cannot distribute profits to sponsors), and cooperatives (like SEWA in Gujarat). Unlike the SHGs, which tap funds from public sector banks, MFIs draw their capital mostly from private banks, SIDBI, and foreign investors. (Akula's SKS, for instance, has Silicon Valley venture capitalist, Vinod Khosla, as one of its investors.) Currently, the average loan size for an SHG is less than Rs 4,000 and for an MFI, about Rs 5,000.

Good Idea, Poor Milieu

Despite putting credit within the reach of millions of unserved consumers, MFIs are in the middle of a crisis, which can be traced back to a series of events that began unfolding from Andhra Pradesh's Krishna district in March 2006. Early that month, the district collector raided offices of Spandana and Share (two of the largest MFIs in the country) and shuttered 57 of their branches, besides those of some smaller MFIs. What prompted the move? Alleged malpractices in the industry, including usurious rates of interest.



SAPTARSHI BISWAS

A. PRABHAKAR RAO

Last financial year alone, nearly 1.5 crore of India's poor received **Rs 6,500 crore in micro loans.** Vijayalaxmi (R) started with Rs 6,000 and is now setting up her own shop

THE MANPOWER CRUNCH

Money apart, MFIs need talented people to work for them.

ACCORDING TO A STUDY CONDUCTED BY THE CENTRE FOR MICROFINANCE AT THE Institute of Financial Management and Research, Chennai, at least 20,000 executives would be required by the microlending industry over the next four years. Some of the positions that are going abegging include CFO, CTO, CIO (innovation and information), and Director (HR). The smarter MFIs have already begun wooing top-notch talent from industry. In October this year, Vikram Akula's SKS managed to get M.R. Rao as its COO from ING Vysya, where he was head of alternate channels. In September the year before, Akula sold the CFO's job to Jennifer Leonard, an MBA from Wharton and ex-Merrill Lynch. Ditto Padmaja Reddy's Spandana. Its 28-year-old Executive Director, Kartikeya Saboo, comes from ICICI Bank. In fact, just a day before *BT* met her, Reddy spent a good amount of time trying to convince an IIM Bangalore grad to join Spandana. He did, and is now headed for Maharashtra, where Spandana wants to enter.

Share and BASIX are some other MFIs that are putting their employees through extensive training, often under foreign experts. "Rising salaries in the sector are also helping attract better talent into the sector," says Vijayalakshmi Das, Chief Executive, Friends of Women's World Banking, an affiliate of the Women's World Bank. It is estimated that in the last four years, entry-level salaries have jumped from Rs 5,000-10,000 to Rs 18,000-25,000. Indian MFIs are considered the most productive of all players in South Asia, with the staff-to-borrower ratio ranging from 1:469 to 1:2,873. But the labour-intensive MFIs will need more and better-trained workers to cater to a country like India.

Soon, the issue snowballed into a crisis, with the state threatening to put caps on lending rates and the Reserve Bank of India issuing a code of conduct for NBFC-MFIs. Now, the central government is working on a Microfinance Bill, which was approved by the Cabinet on December 7, and is likely to be introduced in the current session of Parliament.

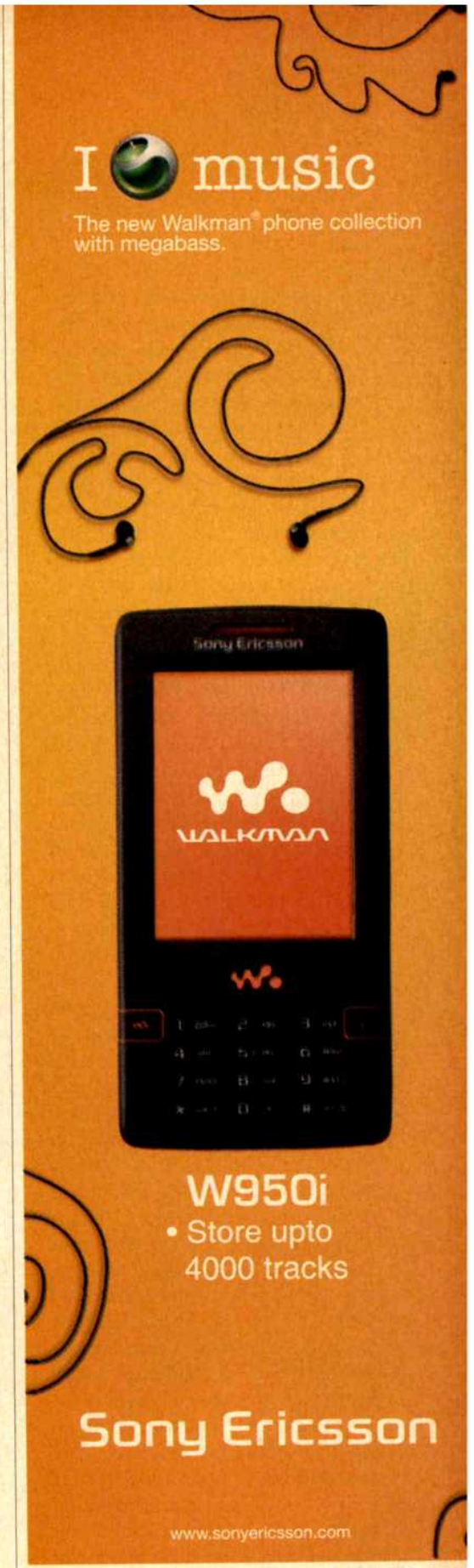
While there's no doubt that some MFIs use questionable tactics to recover loans, the politically-charged issue fails to understand the root cause of the problem—money. According to an industry study by Prabhu Ghate, a former bureaucrat, the cost of funds for MFIs works out to 21-24 per

SOUTHERN STORY

South is the most developed market for microcredit.

MFIs BY REGIONAL DISTRIBUTION	NO. OF MFIs ^	OUTREACH 2004-05*	ANNUAL GROWTH (%) IN OUTREACH 2004-05	ANNUAL GROWTH (%) IN OUTREACH 2003-04
East	18	332,476	61.12	32.68
West	2	6,738	31.40	4215
North	3	91,317	11.34	19.50
South	45	1,710,323	67.50	51.73
TOTAL	68	2,140,854	62.86	45.94

*Number of clients ^ Only those MFIs surveyed by Sa-Dhan Source: Sa-Dhan



cent, although the SBI prime lending rate is about 9 per cent. Here's why: the cost of credit delivery and collection of payment adds 5 per cent each, while the cost of provisioning for bad debts and capital adequacy requirements add another 1-3 per cent each. Not surprisingly, Spandana's and Share's effective rates before the Krishna district crackdown, writes Ghate, were 31 per cent and 28 per cent, respectively. Interestingly enough, these rates are not very different from what the SHGs, which are considered more empowering and participatory, charge. And compared to the local money lenders, the MFIs charge less than half.

Clearly, there's a problem with the cost structure. And, unfortunately, a large part of the problem can be attributed to the absence of a proper regulatory framework. For instance, MFIs, unless they are mutual- or member-owned outfits, cannot collect savings as deposits, which are one of the cheapest sources of funds. Instead, they must depend on bank borrowings for lending onwards. Says SKS' Akula: "If we are allowed to take deposits, we would be able to slash the interest rates on our loans by about 5-6 per cent."

As a result, Indian MFIs have the highest financial expense ratio (8.5 per cent) in the world. So, how have the MFIs been able to grow at a furious pace? Thanks to private banks, which initially started lending to them to meet their priority sector obligations, but soon realised that microfinance could be a lucrative segment. Says J. S. Tomar, Managing Director of Varanasi-based Cashpor Micro Credit, which operates in eastern Uttar Pradesh and Bihar: "Banks see a huge market in micro-borrowers in rural areas because the urban markets are becoming increasingly competitive." (That also explains why VCs such as Hyderabad-based Bellwether, Mauritius-based Lok Capital and US-based Unitus Equity Fund are investing in MFIs.) ICICI Bank, for example, has funded more than 100 MFIs with an exposure of Rs 2,350 crore.

But since most of the MFIs don't have equity enough to take on debt directly on their books, ICICI Bank pioneered a 'partnership model', where the loans remain on the bank's books and the MFI does, for a fee, everything from loan origination to monitoring to collection. However, the MFI has to guarantee the bank against default (subject to a limit). That, again, becomes a limiting factor, since not all MFIs have the wherewithal to offer guarantees. In 2004, RBI allowed MFIs to

HOW THE MFIs ARE DOING

They are growing faster than SHGs...

YEAR	CLIENT OUTREACH	OUTSTANDING*
2001	3	64
2002	10	215
2003	11	327
2004	33	433
2005	67	1095

CAGR: 76%; *In Rs crore; Client outreach in lakhs

SHAMIK BANERJEE

...and the bigger players have reached operational sustainability.

		SUSTAINABILITY		ASSET QUALITY		EFFICIENCY	
NO. OF MFIS IN SAMPLE	YEAR	OSS+	PAR*	CRR^	OCR#	TCR	CLIENT PER CREDIT OFFICER
42	2004	72.8	4.5	90.4	20.0	34.9	164
74	2005	110.3	2.2	97.7	15.4	24.9	405
Sa-Dhan recommended standards		100%	<10%	>90%	<20%	<30%	between 250 and 350

+Operational self-sufficiency (defined as operating income from loans and investments/operating costs + loan loss provision + financing cost; *Portfolio at risk (unpaid principal balance of loans overdue by 60 days); ^Current repayment rate (principal amount collected—pre-payments/principal due); #Operating cost ratio (total operating costs/average outstanding portfolio); TCR: Total cost ratio (total costs/average outstanding portfolio) Source: Sa-Dhan

HURDLES TO GROWTH

MFIs have several regulatory concerns. Here's a short list:

- The RBI's new norms have put in doubt NBFCs' (which include MFIs) partnerships with commercial banks
- Procedures for raising capital from social investors and institutions abroad are too cumbersome; they need to be simplified
- A separate legal structure with favourable regulatory framework allowing MFIs to provide credit, savings, insurance, pension and remittance services to the poor is needed
- MFIs registered as societies and trusts should be excluded from the State & Regional Money Lenders Acts
- NBFC-MFIs not accepting deposits should be allowed to become Business Correspondents that can be engaged by banks to provide services to the poor
- NABARD should not be allowed to become the industry regulator, since there may be a conflict of interests

act as financial intermediaries, or business correspondents, but added certain riders that made the move a non-starter. For instance, it barred banks from charging more than the PLR (prime lending rate) on loans of less than Rs 2 lakh and any commissions on those less than Rs 25,000. That apart, the MFIs were barred from charging any fee to the customers. Currently, the central bank is finalising the eligibility criteria for NBFCs and has asked banks not to select any business correspondents from among NBFCs.

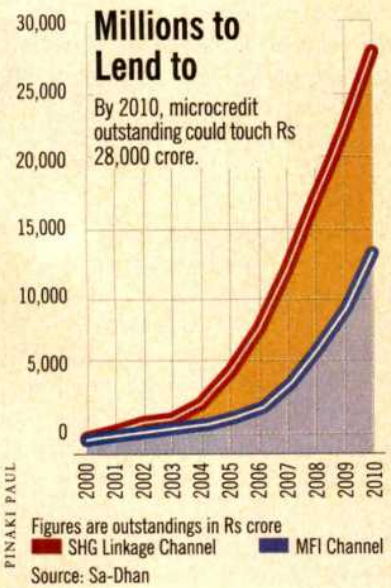
Need to Get Organised

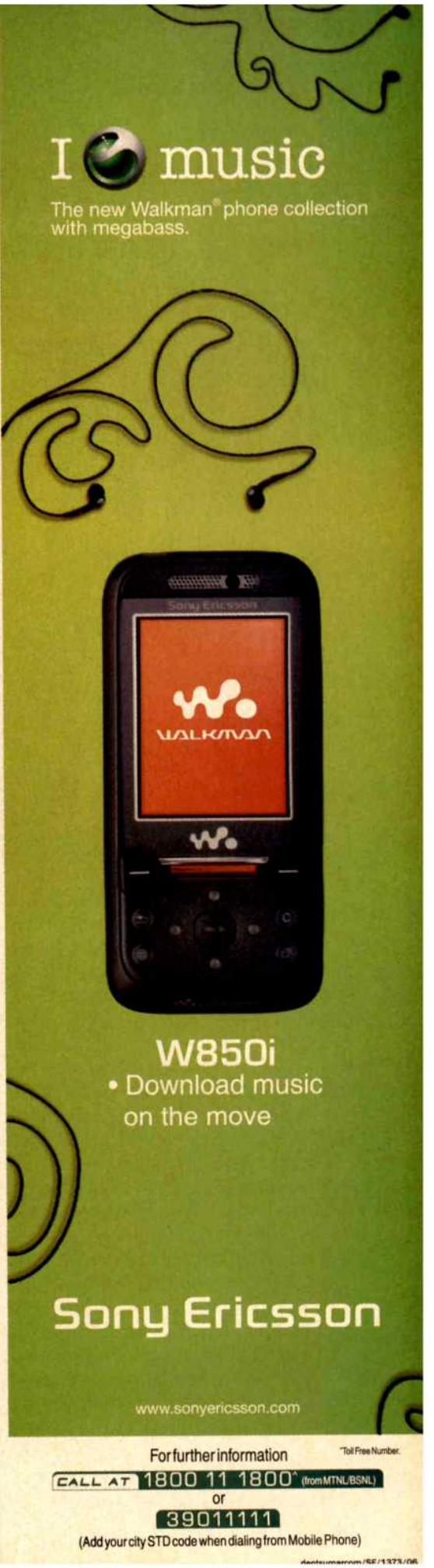
In a bid to streamline the industry, Sa-Dhan, an apex association of MFIs, has set performance standards under three heads—sustainability, asset quality, and efficiency—and is urging its members to accept them. And according to Mathew Titus, Executive Director, Sa-Dhan, it is also working with the Institute of Chartered Accountants of India (ICAI) on implementing disclosure and reporting standards for the sector. "MFIs need to improve their compliance with disclosure and reporting norms and bring transparency (especially after the Andhra incident)," says Ghate in his report. CRISIL and M-Cril have also started a regular rating programme, funded by SIDBI, for MFIs, and have rated more than 120 of them so far.

On its part, ICICI Bank, led by its Deputy Managing Director, Nachiket Mor, has been pushing MFIs to consider moving to the next level, where they will be able to offer bigger loans to not just the most needy, but also those who are better placed but need money to, say, start an enterprise, buy tractors, or even small houses. Mor even has a name for this new type of MFI: community development finance institutions (CDFIs). "In order to become CDFIs, the MFIs will have to build capabilities in core banking and finance, including risk management, and cash flow analysis for projects and securitisation," says Mor.

Meanwhile, some of the bigger MFIs have realised that they need to innovate in terms of loan products and services. Akula's SKS, for instance, plans to tie up with retailers to help them tap rural consumers. This is how the model could work: the retailers will sell goods to SKS clients but get paid by SKS. The clients, in turn, will make weekly payments to SKS. Other MFIs are talking of dozens of other products, including insurance products, education loans, housing loans and small business loans (for petty traders).

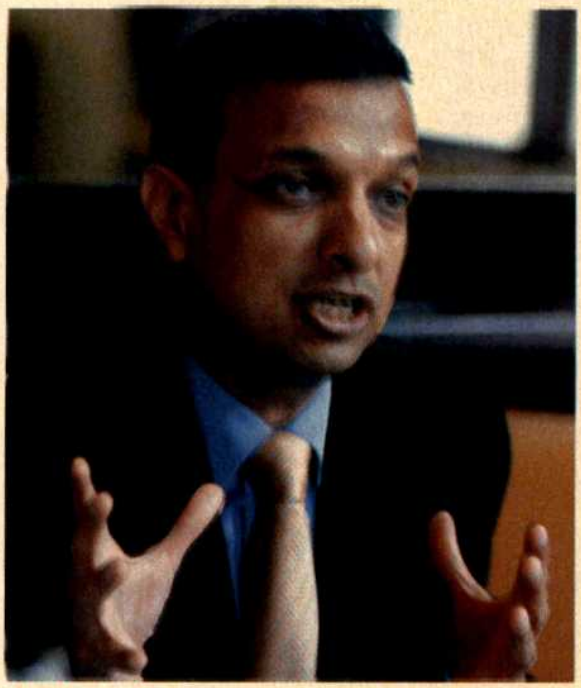
A lot of how the industry evolves will depend on the forthcoming Microfinance Bill. It would be unfortunate if the authorities were to let isolated incidents (like the one in Krishna district) curb the spread of microfinance. There are millions of Indians in desperate need of credit, and their interests are best served by helping the industry become more robust, and not by shutting it down. ■





The Microfinance Champs

Meet the people behind some of the biggest and most successful private microfinance institutions in India.



ICICI Bank's Mor: Made microfinance bankable

EVERY SUNRISE SECTOR DEPENDS ON TALENTED AND innovative individuals to cut the path that others subsequently follow. This has been the norm in every sector. Microfinance is no different. At a time when the regulatory architecture for the sector is still very hazy and last-mile connectivity a major hurdle for large players, there are a handful of people who are braving the odds to push forward their vision of an empowered rural India. All the individuals profiled below are highly qualified and mostly foreign-educated. All of them could have got cushier jobs in big cities, but each of them chose to get his/her hands dirty in the boondocks of the Indian hinterland because they saw potential at the bottom of the pyramid. Their paths are different. ICICI Bank's Nachiket Mor pioneered a new model that allowed large banks such as his employer to enter the microfinance sector. Some others had to borrow money from friends, family and foreign donors to start their ventures. But these are teething troubles that all pioneers face. The important thing is that they've opened up a sector that can, potentially, change the face of India's rural heartland.

Nachiket Mor/ 42

Deputy Managing Director, ICICI Bank.

He is credited with opening the floodgates for this sector. Mor's partnership model, wherein the role of microfinance institutions (MFIs) changed from holders of assets to servicing agents, transformed the sector by removing the hurdle to its growth—the small size of MFI balance sheets. Under this model, the loan documentation is done in the names of the bank and the borrower; the MFI is merely a service provider who disburses and collects money as an agent in exchange for a service fee. This allows even small MFIs, with very small balance sheets, to become partners in the process. Other banks such as HDFC Bank and UTI Bank have also experimented with this model. Result: the total loan outstanding of the top 20 MFIs grew 215 per cent in 2004 to Rs 423.77 crore when the benefits of the partnership model kicked in, compared to Rs 134.43 crore in the previous year. The growth rate in the previous three years had been 56 per cent, 73 per cent and 87 per cent, respectively. Little wonder, then, that this is called the "Nachiket Effect" in microfinance circles. ICICI Bank now has 102 such partners through whom it manages its microfinance portfolio. However, new RBI norms seem to place a question mark on this model; the final word has not yet been said on the matter. Mor, a PhD in Economics from the University of Pennsylvania and an MBA from the Indian Institute of Management, Ahmedabad, has been a member of ICICI Bank's Board of Directors since 2001.

Vikram Akula/ 38

Founder and CEO, SKS Microfinance

He was only three years old when he left Hyderabad and moved with his parents to the US where he stayed for years. Back in Andhra Pradesh since 1997, he now manages to speak good Telugu, albeit with a heavy American accent, with his staff. Akula, who has done a stint as a consultant with McKinsey & Company, figures in *Time* magazine's list of 100 most influential people this year. His is a quaint story. He raised $50,000 in 1996, by hosting tea parties for about 356 friends and relatives in the US, and set up SKS. Today, his MFI has gathered enough critical mass

A. PRABHAKAR RAO

SKS's Akula: His MFI has 183 branches, and he's found mention in *Time*

to catch the attention of ace venture capitalist Vinod Khosla, who has invested in its equity. SKS, with 183 branches spread across 11 states, has disbursed Rs 484 crore, and is among the fastest growing microfinance organisations in the world. Its growth in the last fiscal year: 160 per cent; this is expected to touch 200 per cent this year. Akula is a PhD in Political Science from the University of Chicago, has a Masters degree in International Relations from Yale University, a Bachelor's degree in Philosophy and English from Tufts University, and he has also attended a graduate programme on religion at Harvard.

G. Padmaja Reddy/ 38

Founder Director, Spandana

Reddy founded Spandana as an NGO in 1997 and converted it into an NBFC in 2004. This MFI has grown rapidly, its disbursals rising from Rs 4 lakh in 1998 to Rs 89.4 crore in 2004 (when it became an NBFC) to Rs 639 crore in March 2006. Cumulatively, it has disbursed about Rs 1,470 crore to 850,000 clients. Reddy now wants to attract more professionals into the company and is also

Spandana's Reddy: Is aiming for a client base of three million in five years

A. PARBHAKAR RAO

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A. PRABHAKAR RAO

Share's Kumar: In 1992, no one was willing to lend him money. Today, he has one million clients

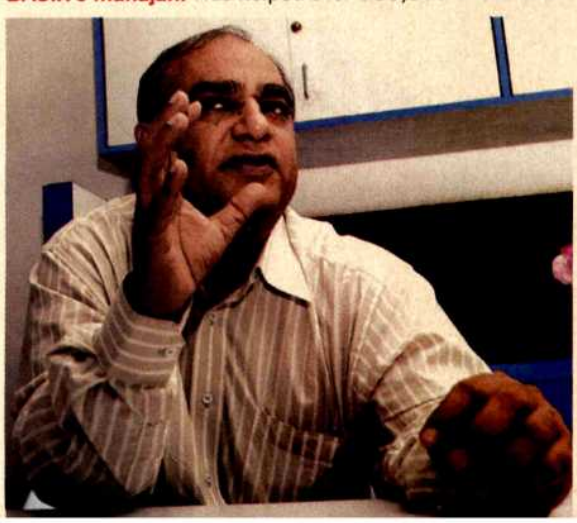
keen on roping in a strategic equity investor. "I want someone who is serious about expanding this business; I'm willing to offer a stake in this venture and am also open to making organisational changes if required," she says. This may take some time, but Reddy is clear about her more immediate goals: disbursals of Rs 5,600 crore and a client base of three million over the next five years.

Vijay Mahajan/ 52

Founder Chairman, BASIX

Vijay Mahajan is considered the veteran of the Indian microfinance world. His professors at IIM-A, Ravi Matthai and Ranjit Gupta, founders of IIM-A's Jawaja Rural Development Project, opened his eyes to the potential of the sector. In 1983, Mahajan established, PRADAN (Professional Assistance for Development Action), an NGO that, in 23 years, has attracted 1,200 young professionals who now work at the grassroots level across rural India. In 1995, Mahajan, conceptualised BASIX as a "new generation livelihood promotion institution" and had it up and running by mid-1996. Till April 2006, when he stepped aside as its CEO, BASIX had helped support over 300,000 households in agriculture and non-farm activities and extended micro-credit worth over Rs 650 crore. Mahajan clarifies that BASIX goes well beyond micro-credit and is meant to offer a "triad" of livelihood promotion services (including savings and insurance services, agricultural and business development services and institutional development services) to rural producer groups. Mahajan is an alumnus of IIT Delhi, IIM Ahmedabad and the Woodrow Wilson School of Public International Affairs at Princeton University.

BASIX's Mahajan: Has helped over 300,000 households



A. PRABHAKAR RAO

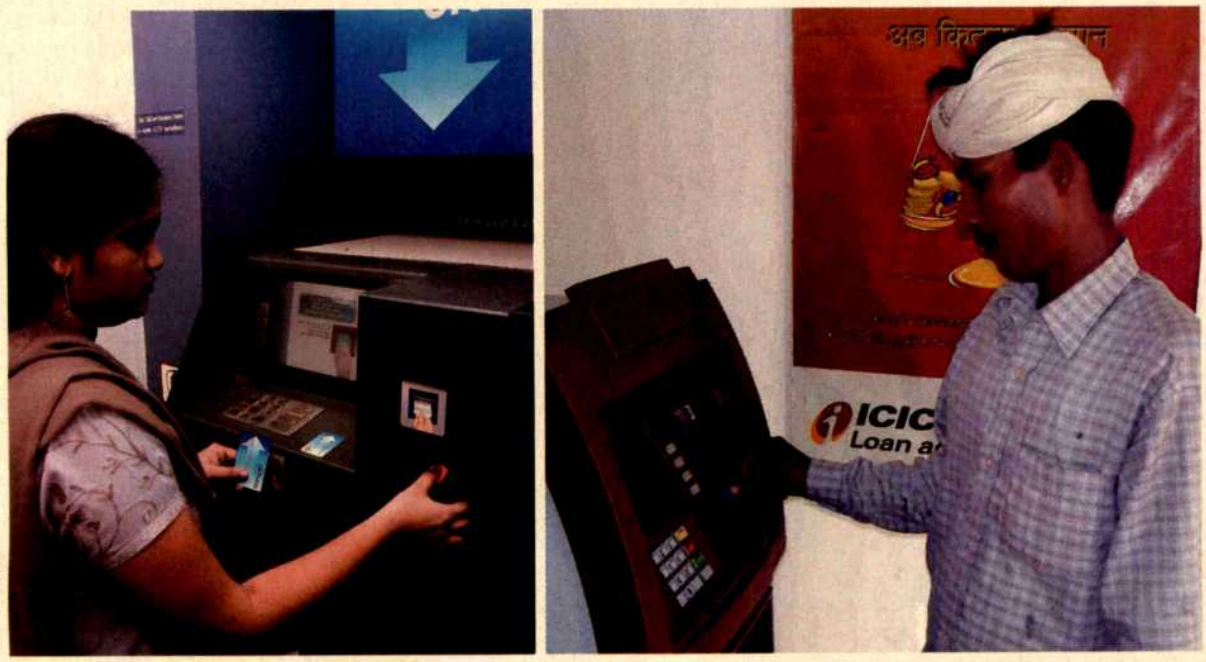
M. Udaia Kumar/ 48

Founder & Managing Director, Share Microfin

Ours is the world's sixth-largest microfinance programme," booms Kumar. It's been a long journey. In 1992, no donors in India were willing to lend him money. He began with no capital and a Rs 18-lakh soft loan from Gramin Trust of Bangladesh and Asia Pacific Development Centre, Malaysia. Today, he has one million clients and cumulative loan disbursals of Rs 1,900 crore. Despite the setback in Krishna district, where the offices of some leading MFIs (including his) were sealed by the district collector for alleged unethical practices, Kumar feels there is still scope to expand the market in Andhra; he is also exploring the possibility of expanding into other states. "We have to be viable and sustainable and be able to recover our costs. To do that, we need to move to other regions as well," he says. Little wonder then, that his immediate goal is to cover 10 states (he is currently present in only five) in India by the end of this financial year and expand his client base to 1.2 million.

Credit Out of the Box

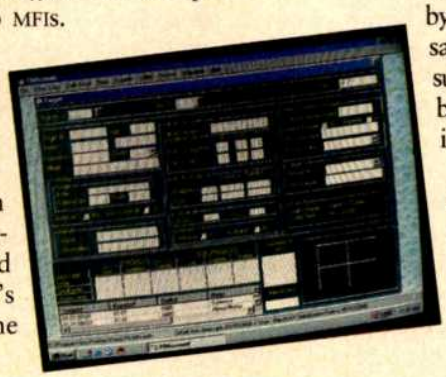
MFIs are leveraging both information technology and know-how to come up with new products and new ways of delivering micro loans.



SOUMIK KAR

As banks sense the potential of the market, they are adopting specially designed technological tools for their customers. Citibank India's biometric ATMs are an example

AS INDIAN MICROFINANCE INSTITUTIONS (MFIS) BEGIN scaling up their reach and complying with new reporting and disclosure norms, they are beginning to realise that they will need to become far more information technology-friendly. "Microfinance entities may be NGOs and their loan sizes may be small, but what they are essentially doing is banking, which requires very robust systems," says Manish Khera, CEO, FINO (Financial Information Network & Operations), an ICICI Bank-promoted technology provider to MFIs. "You can't do banking without backend engine and security of data and audit systems, even though most MFIs require less complex products."



Instead of developing its own solutions, FINO has been sourcing products from established vendors. It has picked i-Flex's Flexcube as its backend engine (channel interface, product engines and data repository) and roped in IBM as its service provider. At the customer end, FINO employs chip-based biometric cards that are specially designed for rural micro-borrowers. The cards enable capturing of data and identification of a customer through fingerprint, which help MFIs meet the know-your-customer (KYC) requirements. "You don't require an online system because you can go to rural woman's home and validate her identity by swiping the card on a mobile device," says Khera. FINO has sold about 1,000 such cards to KAS Foundation, an Orissa-based MFI, and is in the process of selling 130,000 cards to other MFIs.

Not everyone thinks a monopoly like FINO is a good idea, but everyone agrees that IT can play a crucial role in ensuring transparency and cutting transaction costs, given that consumers are geographically widely

spread. Says Vijay Mahajan, Founder-chairman of BASIX, an MFI that describes itself as a livelihood promotion institution: "The hard part is not product innovation, but distribution and it is here that MFIs can offer the real innovation." Adds Vishnu R. Dusad, Managing Director, Nucleus Software, a New Delhi-based software vendor: "In fact, technology's potential to cut costs goes beyond microfinance in rural areas. In the years to come, better IT systems will allow cost effective universal banking, adding three billion borrowers to the worldwide retail credit market."

As banks sense the potential of the market, they are adopting specially designed technological tools for their microfinance customers. Citibank India recently launched a biometric ATM for its microfinance customers. "Biometric ATMs have multiple language capabilities as also a voice-enabled navigation facility, simple screens and colour-coded buttons. Using these ATMs, customers can conveniently access their account and carry out routine banking transactions like balance enquiry, deposits and withdrawals with ease," says P.S. Jayakumar, Country Business Manager, Global Consumer Group, Citibank India.

The biometric ATMs, designed for 'Citibank Pragati' savings account holders, can be conveniently located at offices of Citibank's partner MFIs and in areas that are located close to where the customers live and work. Citibank Pragati is a no-frills savings account facility for microfinance customers that Citibank offers directly and in partnership with MFIs. However, ICICI Bank was the first to launch such ATMs.

Technology apart, the industry will need pooled resources. ICICI Bank's Nachiket Mor, for example, says that to serve a market of more than 400 million unserved Indians, the industry will need shared technology platforms, which could also act as a data repository for a credit bureau. The challenge, however, would be in creating back offices that various MFIs could share without duplicating resources. SKS's Vikram Akula feels much would depend on the ability to do "a Coke-like standardisation, factory-style training, as with McDonald's, and lean processes of a Toyota".

SKS has developed its own IT systems and uses smart cards at its centres (called Sangam) that can be used by less educated employees, since workers at its rural centres tend to be school graduates—a staple for most MFIs.

Pradan's 'Computer *Munshi*'

Unique situations demand unique solutions. Or, at least, that's what Mahajan-founded Delhi-based NGO, Pradan, believes in. The NGO, whose stated objective is to help rural poor and marginal farmers develop sustainable livelihoods, assists self-help groups (SHGs) in seven states. Since Pradan likes its SHGs to stand on their own feet within two years, it employs an innovative system of bookkeeping called the Computer Munshi System. The workings of the system have been described in detail by Ajit Kanitkar and Jan Meissner in their research paper "*The Computer Munshi System of Pradan*"; the latter works for Germany's development agency GTZ and the former is with the Ford Foundation. The system, the researchers say, is built around two key personnel: A group accountant (GA) and a computer-literate *munshi* or an accounting clerk, both of whom are paid a nominal fee by the group members for their

NGO Pradan employs **computer-literate *munshis*.** The industry, however, needs to pool resources to serve such a huge market

services. Apparently, it is possible for a computer *munshi* to serve up to 300 groups. There are some problems with the system (like the *munshi* not being able to understand the GA's handwritten notes) but those are not significant enough to derail the system.

As MFIs and SHGs come up with more such innovations, the microfinance landscape will sport more of technology. Nucleus' Dusad, for instance, says that his company's vision is to take cost cutting to the next level. "We want to make software that will slash the transaction costs of the banks and make it possible for them to lend as small amounts as Rs 100," he says. If that happens, micro loans could become vastly cheaper. ■

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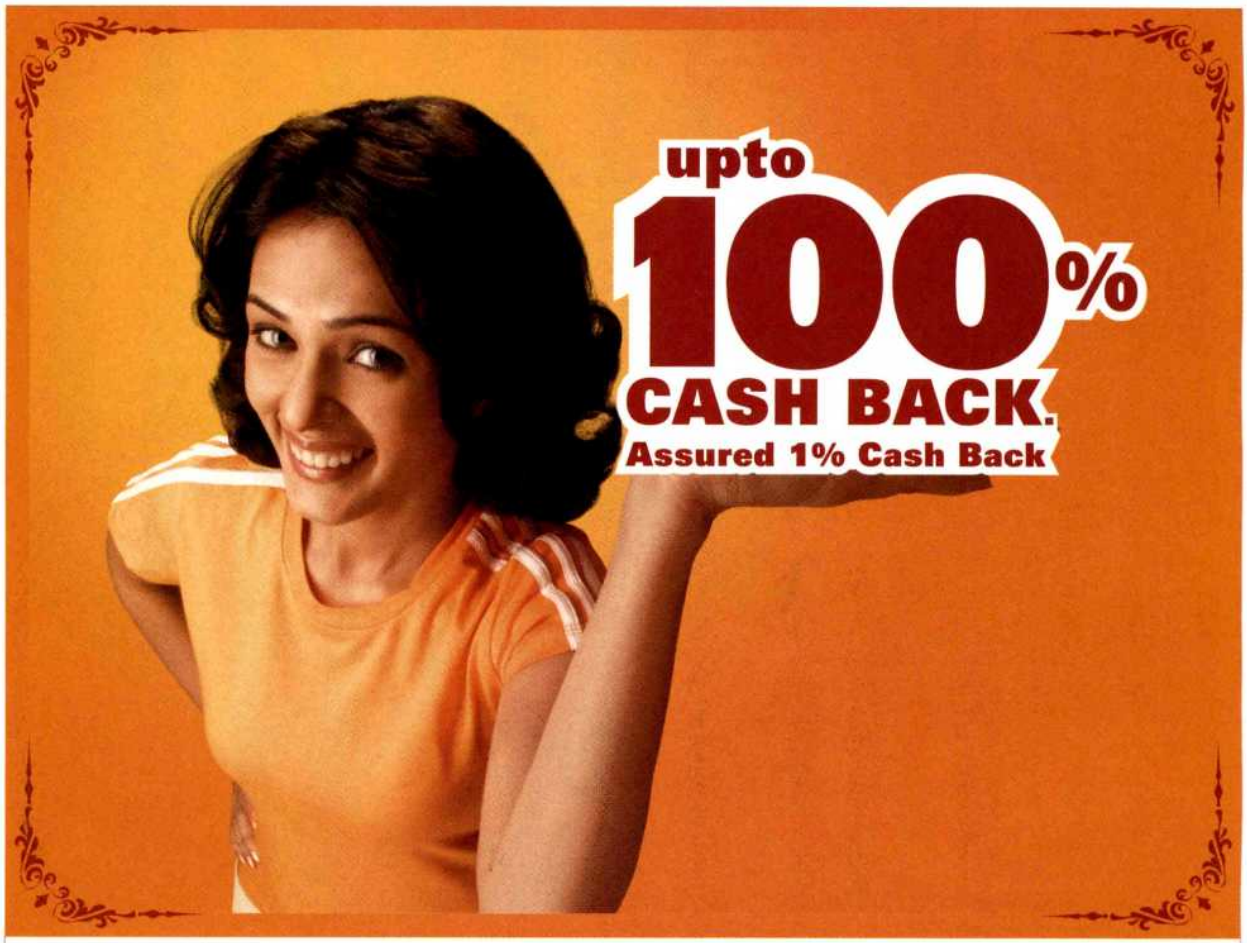

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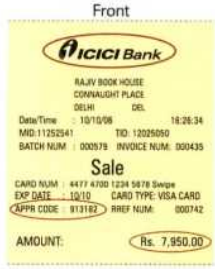
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RAMEN SARKAR

Get the Focus Right

Funds are vying to manage your money, but their sheer numbers are turning fund selection into a complex exercise. Here's a simple way to build a sound fund portfolio. MAHESH NAYAK

IT ISN'T BECAUSE FUNDS HAVE peculiar names nor is it due to terms like net asset value that housewives like Poonam Chaudhury (not her real name) are wary of investing in funds. Neither is she nervous about investing in equity funds at these high market levels. "It's just that there are so many funds that it is confusing which fund to choose," says Poonam. What adds to the confusion is that most funds seem to have the same objective. "Choosing between so many similar funds is not easy," she says

Poonam's is not an isolated case. There are a variety of funds in the equity space—large caps, mid-caps, flexi-caps, tax savers, balanced funds and derivative funds—and any one looking to invest in them can get inundated by their sheer numbers. Add to that, there are a large number of new fund offers (NFOs) with fancy names and objectives hitting the market almost every week, further baffling the mutual fund investor. Consider this, there were merely 67 diversified open-end equity funds in 2003. Today, there are 160 diversified equity funds, nearly two-and-a-half times more, making it that much more difficult to narrow down to the fund of your choice. But if you want a complete and well-diversified portfolio, you may want to look at segments such as sector, debt and liquid funds as well. There are enough options already, so all that's needed is a simple strategy that's primed for returns.

Set Objectives

Before we suggest any strategy, you must outline an investment objective and spell out your goals. Investment needs of an individual vary over time, so identifying financial goals is the key to financial security. Having identified your investment objectives, you need to plan carefully to achieve them. Usually there are few common investment objectives—retirement, children education and marriage, house and emergency reserves. After you have determined the goals you wish to accomplish, determine your position on the risk-reward spectrum and eliminate funds that are too aggressive or too conservative. Once you have a list of funds that meet your goals and risk tolerance, review the funds' prospectus to ensure that the funds' investment objectives and risks meet your individual investment goals.

Your age will help you determine what kind of a portfolio mix would suit you. These aren't hard and fast allocations, just guidelines to get you thinking about how your

ON THE PLATTER

EQUITY FUNDS

TYPE: Invest across sectors and market cap; most market beating funds have large cap stocks

BEST STRATEGY: Invest long term in 2-3 large cap funds and one mid-cap fund comprising growth sectors like engineering and construction

RISK: High

PAST RETURNS: 2 to 59 per cent (3 years)

NUMBER OF FUNDS: 160

Scheme	NAV	Returns
Sundaram BNP Paribas Select Mid-cap (G)	90.2	59
SBI Magnum Global 94-(G)	43.7	55
Taurus Starshare	40.1	52
BSE Sensex		**39**

3-year returns compounded annual (%); as on Nov 29, '06

TAX FUNDS

TYPE: Tax-breaks on investments up to Rs 1 lakh. Funds mostly invest in large cap stocks

BEST STRATEGY: Better suited for taxpayers, but invest in about 1-2 funds focussed on growth. SIP should make it easier to save regularly

RISK: High

RETURNS: -31 to 61 per cent (3 years)

NUMBER OF FUNDS: 38

Scheme	NAV	Returns
HDFC Taxsaver	145.04	61
Prudential ICICI Taxplan	91.78	51
HDFC Long Term Advantage Fund	89.62	49
BSE Sensex		**39**

3-year returns compounded annual (%); as on Nov 29, '06

SECTOR FUNDS

TYPE: Exclusively focussed on single or multiple sectors such as FMCG or pharma

BEST STRATEGY: Concentrate on only 1-2 growth sectors. Manage funds actively and redeem in sectors where fortunes are changing

RISK: Very high

PAST RETURNS: 9 to 55 per cent (3 years)

NUMBER OF FUNDS: 37

Scheme	NAV	Returns
Prudential ICICI FMCG	41.07	55
Birla SunLife Buy India	26.79	51
SBI Magnum Sector Umbrella-Infotech	25.28	49
BSE Sensex		**39**

3-year returns compounded annual (%); as on Nov 29, '06

LIQUID FUNDS

TYPE: Invests in short-term T-bills and call money market to provide liquidity

BEST STRATEGY: Works as a savings account and returns here are slightly better. Best suited to park funds temporarily instead of lying in savings account

RISK: Low

RETURNS: -9 to 6 per cent (3 years)

NUMBER OF FUNDS: 96

Scheme	NAV	Returns
LIC MF Liquid Fund-(G)	13.25	6
Kotak Liquid-Inst Premium Plan-(G)	14.76	6
Tata Liquid Fund-SHIP-(G)	1,345.56	6
CRISIL Liquid Fund Index		**5**

3-year returns compounded annual (%); as on Nov 29, '06

INDEX FUNDS

TYPE: Portfolio comprises stocks in major indices such as Nifty or BSE Sensex

BEST STRATEGY: For passive investors who don't want to track funds regularly. Look at tracking error before investing.

RISK: High

RETURNS: 25 to 40 per cent (3 years)

NUMBER OF FUNDS: 24

Scheme	NAV	Returns
HDFC Index Fund-Sensex Plus Plan	144.09	40
SensexPrudential ICICI Exchange Traded	139.57	40
UTI Master Index Fund-Growth	42.74	40
Nifty		**35**
BSE Sensex		**39**

3-year returns compounded annual (%); as on Nov 29, '06

INCOME FUNDS

TYPE: Invests largely in corporate and government debt. Returns subject to interest rate fluctuations

BEST STRATEGY: Focus on funds that invest in debt paper that will mature in 1-3 years as they reduce volatility. Best suited for conservative investors

RISK: Low

RETURNS: -2 to 8 per cent (3 years)

NUMBER OF FUNDS: 68

Scheme	NAV	Returns
Prudential ICICI LTP-Cumulative	15.2920	8
CanIncome Scheme-Growth Plan	13.0455	6
Libra Bond Fund-Growth	13.9105	5
CRISIL Composite Bond Fund Index		**3**

3-year returns compounded annual (%); as on Nov 29, '06

NAV in Rs per unit Source: Mutualfundsindia.com

portfolio should look like. Your risk profile will give you more equities or more fixed income depending on your aggressive or conservative bias. However, it's important to always have some equities in your portfolio (or equity funds), no matter what your age. In times of inflation, this will be the portion of your investment that protects you from the damage, not your fixed income. Also, the fixed income of your portfolio should be diversified.

Having said that, there's really no need to buy all and sundry funds as it's difficult to keep a tab on all the funds and their performances. Pick and choose between a few funds in the sectors that you want to allocate. We have drawn an illustrative asset allocation strategy (see A *Wholesome Strategy*) keeping in mind different age profiles. If, for instance, you are in the 25-40 age group, then a bulk of 70 per cent of your funds could be invested in equities for the long haul. But it's in these funds that you should exercise caution in diversifying. If you are a taxpayer, you would need to invest in tax-saver funds as well.

The Core Strategy

On an average, an equity fund has roughly about 40 stocks in its portfolio. If you invest in six funds, then you have indirectly invested in more than 240 stocks. Assuming there are some overlaps, an investor would easily have about 150 stocks in his portfolio. That seems more than enough diversification in equities. Adding more funds will do more harm than good to your already over-diversified portfolio. Therefore, it's important to keep a core list of five-six funds where you continue to invest regularly.

This market is clearly skewed towards large-cap stocks, so target

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A Wholesome Strategy

There's more than one way to build a fund portfolio, but keep an eye on broad allocation.

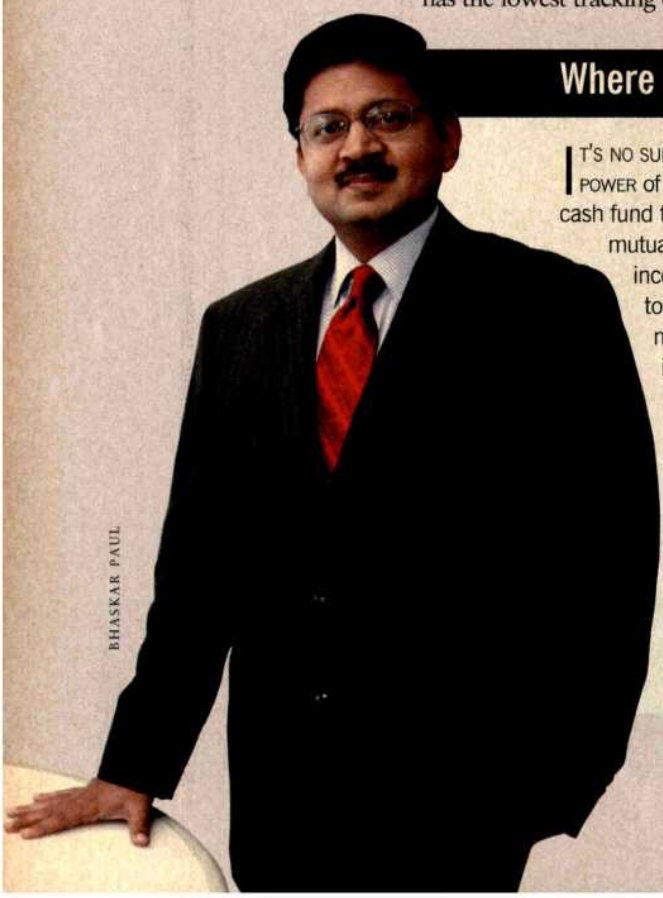
PINAKI PAUL

Figures in per cent *Not more than Rs 1 lakh

Source: *BT* Research

about two-three large-cap funds in your portfolio. And about one-two in a growing sector fund that captures the infrastructure and core sectors, and lastly, one multi-cap fund that can shift allocations depending on the mood of the market between large- mid- and small-cap sectors. If you are looking for a passive investment strategy and are confident that the economy will do well in the long run, an index fund is your way to go. Says A. Balasubramanian, Chief Investment Officer, Birla SunLife AMC: "If we are looking at markets rising in the next two-three years, index funds are better placed than a sectoral fund. Apart from diversifying the portfolio, it will bear lower risk than the diversified equity fund." So, you may want to consider an index fund that has the lowest tracking error with the market.

Besides, it's advisable to keep the philosophy of the fund house in mind. Funds performance should not be hampered if a fund manager exits and a new one comes in place. Do keep a tab on your funds performance every six to nine months. If your fund is not in the same quartile as the rest of the funds in that segment, you may want to switch to another better performing fund. While a fund's past performance is not an indication of future performance, it certainly is a yardstick to measure ability to generate returns. Total return is generally regarded as the best measure of fund performance, because it is the most comprehensive. Meanwhile, short-term returns may not tell the whole story. Look at a fund's performance over a longer pe-



BHASKAR PAUL

Where Do Experts Invest?

IT'S NO SURPRISE THAT SANJAY PRAKASH, CEO, HSBC AMC, BELIEVES IN THE LONG-TERM POWER of equities and so he diligently transfers Rs 10,000 every month from cash fund to his equity fund. "About 70-75 per cent of my investments are in mutual funds. Of these, 70 per cent is in equity funds and the rest in fixed income", says Prakash. In equity funds, Sanjay's allocation is skewed towards large cap funds, which comprise 50 per cent of his investments, while about 30 per cent is in multi-cap funds and 20 per cent in mid- and small-cap funds. Sanjay looks for long-term consistency of diversified funds over sector funds as that is a short-term strategy and carries higher risk. Of the balance, that is debt, he has divided it among fixed maturity plans, short-term debt plans and cash or liquid funds. Sanjay looks for consistency and a strong organisation to zero in on the few good funds. Apart from HSBC, he has invested in two funds of select fund houses. This enables him to track as well as diversify his investments. "Organisation, management and track record are important for me," he says. "I don't believe in investing across funds nor do I churn, but I do rebalance my portfolio every year," he adds.

riod of say about three years.

But easily the best strategy in equity funds is to follow a systematic investment plan (SIP). Apart from inculcating the discipline of investing regularly, it avoids sentiment-driven investments and helps the investors to take the advantage of rupee-cost averaging. With auto-debit facility available, one only needs to give standing instructions to the bank and the money will be debited from savings account to the fund. "Investment into equities is a process. The future financial position of an investor and the past investment in equities will depend on the investment through SIP," says Hemant Rustagi, Chief Investment Officer, Wiseinvest Advisors.

Debt Strategy

For those who do not have the gumption for risk, but want a little bit of security as well as marginal exposure to equity, you may consider a capital protection plan as part of your overall debt strategy. With savings rate account being low due to the unstable interest rate scenario, the best investment avenue for investors has been FMP (fixed maturity plan), floaters and cash funds.

Apart from delivering higher rates of interest compared to saving banks, liquid fund can easily be liquidated, compared to bank fixed deposit and even FMP. When you have some funds lying idle while switching between funds or looking for alternative investment plans, a liquid fund is perfect. Last year, liquid funds delivered returns in the range of 6-7 per cent. Meanwhile, an FMP is more tax efficient than fixed deposits. Unlike fixed deposits, where investors pay a tax between 22.5 per cent and 33.7 per cent, depending on one's income, an investor would only pay 10 per cent long-term capital gains tax on FMPs. Says Sanjay Prakash, CEO, HSBC, "Investors can invest 20-30 per cent of their allocation in short-term debt, FMP and liquid funds. Apart from being liquid, it helps to generate greater return due to lower taxation."

Broadly, you should have an idea about the kind of returns that a fund can generate. At best, look at around 10-15 funds in both equity and debt than have one too many funds that require a lot of tracking. If you have a larger percentage of investment in equities, you could have a few more equity funds in your portfolio. On the other hand, if you have a portfolio that's skewed towards debt, then you can make room for a couple of additional debt funds. And lastly, every now and then re-adjust the focus.

Should You Invest in an NFO?

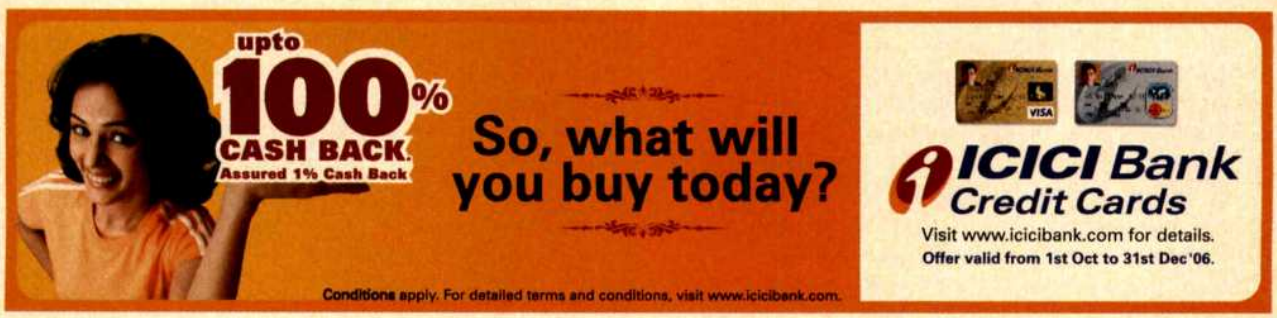
Not unless it is offering something really different.

THIRTY THREE NEW FUND OFFERS (NFO) WERE LAUNCHED TILL DATE THIS YEAR WITH VERY little distinction between each of them. Most new funds were in the diversified equity category, but a few of them were closed-end, long-term equity funds and ELSS. So far, the combined equity funds have garnered over Rs 30,600 crore But how have they performed and should you invest in them?

Only one new fund offer managed to outperform the Sensex over a three- and six-month period. The Sensex recorded a 16 per cent and 25 per cent return compared to the 13 per cent and 15 per cent return recorded by these NFOs. Return-wise, clearly most new funds aren't really outperforming, so why are investors putting money in NFOs?

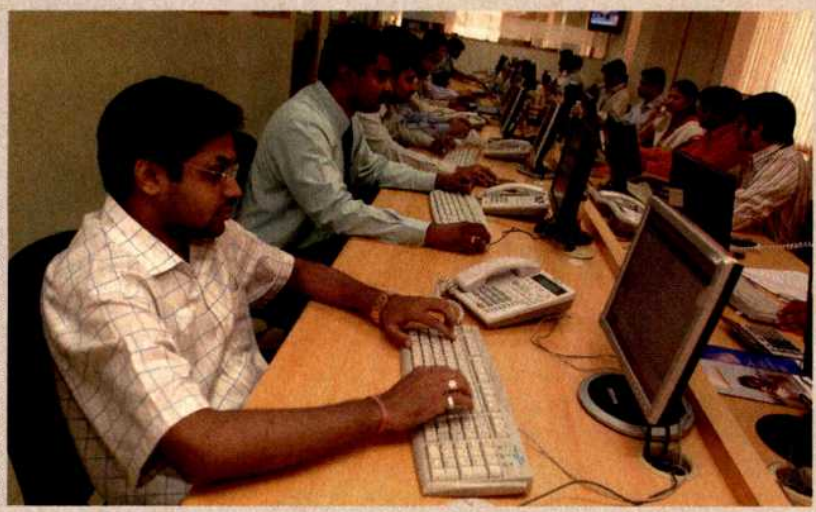
Among the many reasons, investors still think that they are getting a fund at Rs 10, which appears like a discount, but it's not so. New fund will have to invest in the market at current levels. Say you are buying 30 companies of the Sensex in proportion to the index, you have to pay the rate at 14,000 levels.

Therefore, for investors, unless something different is offered in the fund, like say an insurance scheme or a new strategy of investing, be wary of investing in all NFOs. Invest in existing funds as they have a track record. Says Sanjay Prakash, CEO, HSBC AMC: "Until it's a new concept that has long-term sustainability, it doesn't make sense to invest in equities through NFO."



On the Pepper Trail

There's big opportunity in commodities as volumes soar and arbitrage increases. Here's a primer to profiting from commodities. ANAND ADHIKARI



PHOTOGRAPHS BY UMESH GOSWAMI

Spot the price difference: And make a fast buck

WHETHER YOU WANT TO invest in agri-commodities or metals such as gold and silver, commodity exchanges are an exercise enough in anticipating the future. But if you do not want to predict where the prices are going, all you have to do is spot price differences between exchanges to make a small buck. All you require is speed.

Little wonder, investors are learning the nuances to benefit from price differences. Among them, Hiralal Gupta has found arbitrage a convenient as well as a profitable option over the short haul. There are many ways and different strategies to find arbitrage opportunities, but Gupta works with the simplest one called cash and carry (see *Smart Options*). His idea is to take advantage of the difference between the spot and the futures market. Gupta bought 10,000 kg of *jeera* (cumin) at Rs 1.96 lakh, warehoused his inventory against a delivery slip. Gupta then sold his stuff on the exchange in the futures market at Rs 2.20 lakh. After deducting margin costs and other charges towards warehousing, insurance and brokerage amounting to Rs 10,000, Gupta pocketed a cool Rs 14,100. Good enough for a day's work.

It's not rocket science to know the nuances of arbitraging, but it requires speed and alertness to grab an opportunity. Says Ajoy Pathak, Associate Vice President, Kotak Commodity Services: "There are opportunities that come periodically but they also vanish quickly as smart investors discover the opportunity to make a fast buck." Arbitrage is one tool to make money by spotting price difference between two trades (spot and futures), or two contracts with different maturity (near month and far month, or inter-exchange, say MCX and NCDEX) in a single commodity like soya and even between domestic and international exchanges in commodities like gold and silver.

Analysts suggest a calendar spread arbitrage strategy is the best starting point for investors as it requires less capital and you are dealing only in the futures market. Here's a bit of backgrounder on the main arbitrage strategies and

Smart Options

What you should know to partake of the boom.

What's it?

CASH & CARRY: Buy a commodity in the spot market and sell the same in the futures market
CALENDAR SPREAD: Buying near month (1-month) contracts and selling far month contracts (3-month).
INTER-EXCHANGE: Playing the difference in prices of a commodity in two different exchanges
DOMESTIC & GLOBAL: The price difference in a commodity between the domestic and global markets

Minimum Capital Requirement

CASH & CARRY: Rs 5,00,000
CALENDAR SPREAD: Rs 1,00,000
INTER-EXCHANGE: Rs 2,00,000
DOMESTIC & GLOBAL: Rs 5,00,000

Risk

CASH & CARRY: Sourcing commodity/ counter-party risk
CALENDAR SPREAD: Quality risk
INTER-EXCHANGE: Basis risk
DOMESTIC & GLOBAL: Currency risk

Return

CASH & CARRY: 15-20 per cent
CALENDAR SPREAD: 14-15 per cent
INTER-EXCHANGE: 14-15 per cent
DOMESTIC & GLOBAL: 14-18 per cent

Commodity

CASH & CARRY: Agri-commodities (pepper, *guar* seed, *jeera*)
CALENDAR SPREAD: *Guar* seed, pepper, etc
INTER-EXCHANGE: Soya bean, pulses, etc
DOMESTIC & GLOBAL: Gold, silver and crude

Returns are annualised Source: *BT* Research

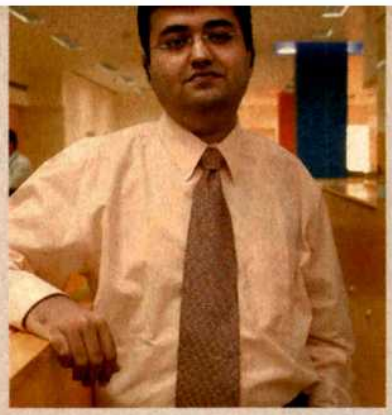
how you can go about arbitraging.

Cash and Carry: This involves both a cash transaction and a forward transaction in the futures market. "Essentially, you buy a commodity in the spot market and sell the same commodity in the futures market and vice versa," says Sunil Ramrakhiani, Head (Commodities), IL&FS Investmart Commodities. The investor pockets the difference between spot and futures market after deducting his expenses. The costs, which could vary anywhere between 3-5 per cent for a spot transaction, storage and insurance cost, are then deducted from the selling price. Arbitrage opportunities are available only because of inefficiencies in the market. But a strategy such as this is not without its risks. "There is a counter party risk in cash & carry because the spot market is not well developed in India," concurs Ramrakhiani.

Calendar Spread: In commodity markets, there are three types of future contracts available from near month (1-month) to far month (3 months) which more often have a tidy price difference. "This strategy is the safest as you are dealing in one exchange and a single commodity," says a commodity analyst. Depending on the price, you can either buy the near month and sell far month or vice versa. You pocket the difference.

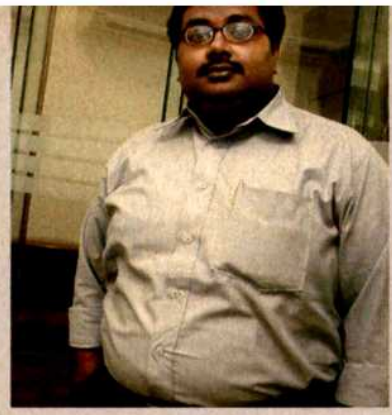
Between two exchanges: The two leading commodity exchanges—MCX and NCDEX—cover most of the commodities, but to different specifications and quality. Therefore, the prices cannot be comparable. However, in certain commodities like soya bean and some pulses, the specifications are same, offering inter-exchange arbitrage if there is a major price difference between the two exchanges. Remember arbitrage is possible only when the products are standardised, otherwise the investor has to bear the loss arising out of a conflict of products.

Domestic versus global: Standardised products such as gold and silver are some of the commodities that have arbitrage potential globally. "One needs an in-depth knowledge of global commodities and their price behaviour," says Ramrakhiani of IL&FS. Besides, factors such as currency risks also come into play. "You need to hedge currency exposure as any adverse movement could bring down your gains, or increase losses," says Kotak's Pathak. All the same, arbitraging may work best if you narrow down to a few commodities in the domestic market and keep a watch for the opportune time.



"There is a counter party risk in cash & carry as the spot market is not well developed"

Sunil Ramrakhiani, Head, Commodities, IL&FS Investsmart Commodities



"There are opportunities that come periodically but they also vanish quickly"

Ajoy Pathak, Associate Vice President, Kotak Commodity Services

Hedge Yourself

How to play it safe in commodities.

- Commodities are seasonal in nature and hence always avoid thinly traded commodities
- If the futures price behaves against your initial call, cut your losses by putting a stop loss rather than carry forward your position
- In a spot transaction, agricultural commodities carry a high risk of not getting accepted at the warehouse
- For precious metals, always study the commodity cycle and international linkages as commodity market takes cues from international markets such as LME or COMEX
- Always trade in tech savvy MCX or NCDEX platform

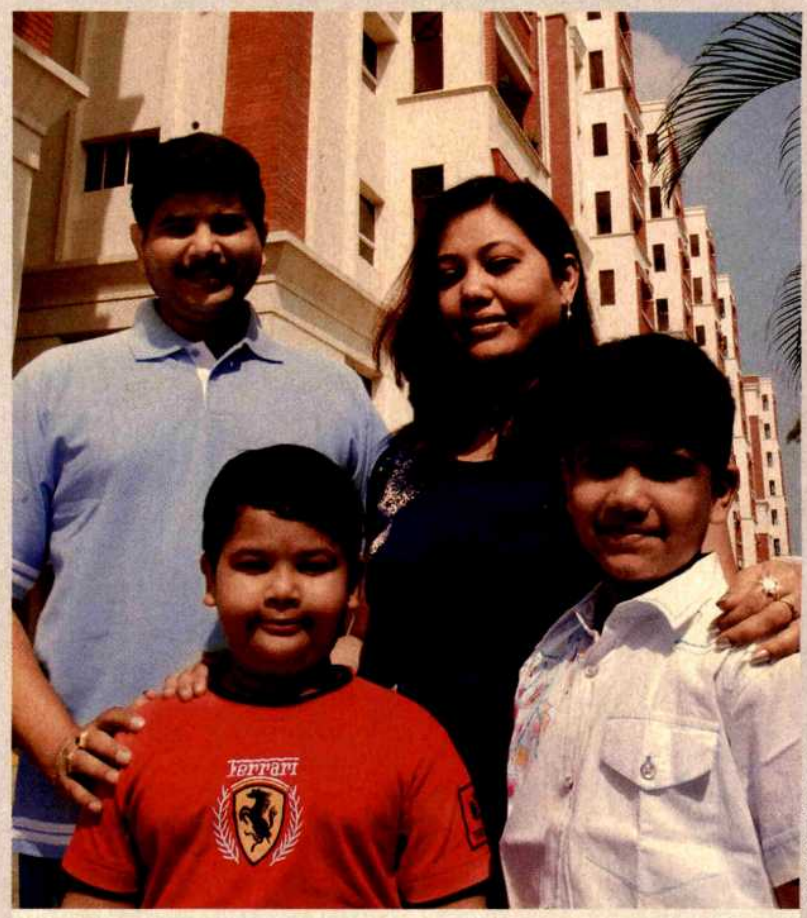
A Second Home?

Many families are investing in more than one property. Should you? SHIVANI LATH

IF THERE'S ANY INVESTMENT THAT Dr Uday Sahu seems comfortable with, it's house property. Not satisfied with his first house the 44-year-old bought in Gandhinagar, Hyderabad, way back in 1997, he purchased another larger apartment in Hitech City in 2004. But his move paid off as property prices began to rise so he booked another apartment at Kukatpally (an education hub on the north-west fringe of the city) and bought a further 800 square yard plot in the plush Jubilee Hills, where he intends to build a bungalow.

What is driving the passion for property in this paediatrician and neonatologist? Several factors—the aspiration for a better life for his two kids (he moved into the larger, second flat at Hitech City and rented out the first), the soaring value of property (the 2,200 sq. ft Hitech City flat which he bought for Rs 40 lakh today commands a value of Rs 85 lakh), and the various tax benefits available on successive property investments. "Investing in property is a very good idea," Dr Sahu beams, referring to the value gains his various purchases have seen over the last couple of years and the increasing demand for rental accommodation, being driven by India's burgeoning IT and ITES sector.

Dr Sahu is one of the growing tribe of people looking to buy their second homes as a retreat from the stressful city life, as a haven for old age, or as an investment proposition. Says Anuj Puri, Managing Director, Trammell Crow Meghraj, a leading property services company: "Second homes are in vogue with India's upper middle class people. Their bigger reserves of disposable income are leading to an aspiration for alternative homes." He believes that the second homes tend to be more luxurious than the primary homes. "To make these second homes affordable, buyers look for spaces outside the metros," he says, adding that he is seeing a marked preference for upcoming Tier II and Tier III cities and also holiday destinations in this regard. But the key is to find the right location.



A. PRABHAKAR RAO

Dr Uday Sahu (top left) has invested in three additional properties in Hyderabad since his first house in 1997

Not Taxing

Second home buyers can also avail certain tax breaks.

- There is no limit on the interest deductible, unlike the Rs 1.5 lakh limit on first home loan
- No additional premium for a second home loan
- Since most of the second homes are bought with a view to rent out, it is advantageous from the perspective that you get a 30 per cent standard deduction on the rent earned, besides the deduction on the interest paid and municipal tax

Not that Taxing

One of the biggest reasons for the rush to buy that dream home, however far away, is of course, the tax benefits. According to Chartered Accountant Gautam Nayak, there are several advantages for second home buyers. For starters, there is no limit on the interest deductible, unlike the Rs 1.5 lakh limit on first home loan. Secondly, if the second home is bought with a view to rent out, it is advantageous from the perspective that you get a 30 per cent standard deduction on the rent earned, besides the deduction on the interest paid and municipal tax. Then, there is the added benefit of no additional premium for a second home loan.

Harsh Roongta, CEO of apnaloan.com, a website that helps loan consumers obtain competing offers from three or four banks on various products, says it isn't really a big deal getting a loan for a second home. "If your income far exceeds what you are required to pay as interest, then there isn't any problem," he says. According to him, world over, banks are upbeat about providing loans to first-home buyers because of the emotional attachment people have with homes and their fear of losing it. "This ensures they will pay and reduces the risk of default considerably, in fact, almost makes the loans risk free." Interestingly, he adds, things are different when it comes to dealing with the second home buyers. In this case, however, when the homes are usually bought to rent out, the emotional attachment is less and it is subject to fluctuations in property prices. "If, for instance, property prices crash and with it rents, there might be greater potential for default. So from a credit perspective it might be risky," Roongta says. The good news for buyers, however, is that there isn't any added premium for the risk associated with a second home loan.

Top Second Home Destinations

Goa

High demand for luxury villas; also rental apartments with yields and price gains at around 14 per cent

Hyderabad

Preferred second home location—cost of independent homes has appreciated by 60-70 per cent and apartments by 30-40 per cent last year

Pune

Just three hours from Mumbai, Pune is witnessing an immense surge in construction of new housing projects for the well-heeled Indians and NRIs

Hill Stations

The places in high demand for second home buyers include Dehradun, Mussorie, Nainital, Ooty, Mahabaleshwar, Khandala/Lonavala

Dubai

People with a budget of Rs 2 crore or more are increasingly eyeing this jewel of the United Arab Emirates. The incentives are a residential permit, greatly enhanced career prospects and a vastly enhanced standard of living

Source: Trammell Crow Meghraj

Location is Key

But looking for the right property that has the potential for appreciation is what most second home buyers should look for apart from other aspects like accessibility and comfort. While some like Dr Sahu are buying property in the same city they live in, others are looking for more luxurious and spacious homes outside their city of residence. Better suited locations are those where the demand is expected to remain strong or where there's a sizeable new development happening. Currently, there are some popular destinations such as Goa and Hyderabad, according to Puri. Others such as Pune are also becoming second home hotspots. Besides, there are the well-known hill stations such as Dehradun, Mussorie, Nainital, Ooty, Mahabaleshwar, Khandala, Lonavala and Shimla. Overseas, Dubai is fast gaining ground.

Besides the luxury, soaring property prices in these areas are making them sound investment options. While Goa has seen rental yields and annual property price gains in the region of 14 per cent, in Hyderabad, the value of independent homes has appreciated by about 60-70 per cent and of apartments by 30-40 per cent in the last one year. Pune is attractive, Puri says, because of its proximity to Mumbai. As for Dubai, he says, "People with a Rs 2 crore budget are eyeing this destination—the incentives being residential permit, greatly enhanced career prospects and a vastly enhanced standard of living."

Whatever the reason—retirement or investment—it seems like more and more people are waking up to the advantages of buying their second home.

ADDITIONAL REPORTING BY KRISHNA GOPALAN

KULDEEP

Click for a Deal

There are lots of bargains available on the internet. Here's how and where to look for them on the net. KRISHNA GOPALAN

THERE HAS NEVER BEEN A BETTER time for the Indian shopper. Time was when the festive season was the only chance shoppers would get to find bargain deals, but now the whole concept of deals and shopping has acquired a new dimension. Deals are on throughout the year and it is only a question of being a little alert and acting quickly. And yes, there is no need at all to get to the closest electronics showroom if you are looking for a plasma television set or the Nokia outlet in the neighbourhood for that camera phone. The whole world is today on the internet and all you need is a computer, a credit card and some smart shopping skills.

The new age shopper, over the next few years, could well be the online shopper. Today, florists are available online, rail tickets can be booked online and—who knows— you could just buy a planet online if it does come up for sale! "The biggest advantage from online sites is the convenience factor for the user," says Avnish Bajaj, Chairman, eBay India.

Is Online Better?

Would a buyer be better off buying a DVD player at a company showroom instead of buying it online where he cannot get to "touch and feel" the product? Without any doubt, the answer to that question would have been "yes" till about a couple of years ago. Today, the comfort level about making a purchase online has certainly increased and this is reflected in the increasing number of transactions across product categories. At the end of last year, the total value of the e-commerce market was estimated to be about Rs 1,200 crore and this number by the end of 2007 is expected to swell to Rs 2,300 crore. These numbers are heading northwards thanks to an increasing internet subscriber base, which today is around 40 million users from a level of three million in 1999.

"I think the touch and feel product is a myth. If a consumer is looking to buy a television set, how can he possibly make a purchase decision in 10 minutes at a showroom where over a hundred sets are shown to him," asks K. Vaitheeswaran, CEO, Fabmall. If consumer electronics was in-

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deed such a difficult category to sell online, he has a quick answer to it. "Till last year, books sold the most in value terms on our site. This year, consumer electronics has occupied that position," he explains.

Overall, the products which sell the most through online shopping are consumer electronics (this includes devices like the iPod). Users like Bangalore-based Sunil Kumar, who buys books regularly, says he bought *The Da Vinci Code* online for Rs 220 against a cover price of Rs 260. "It was not just the price which was important. I wanted the book and did not have the time to go to a bookstore," he says. It is really consumers like Sunil that players such as Fabmall and eBay are targeting.

Interestingly, as *BT* discovered, the prices of products like cell phones and DVD players are higher if the shopper decides to go the online route. The difference in prices for low value handsets are about Rs 300 and this number gets larger as the user moves on to more expensive handset. For consumers, it makes more sense to look for big-ticket items like digital cameras, camcorders and expensive electronic items if he wants to get the best possible deals. Lower priced products tend to have little discounts.

Clearly, for the Indian consumer the world of retail is just a click away. If he wishes to make a comparison across brands, that too is easily available. The fact remains that online retailing is surely becoming a way of life and booking air tickets or ordering a birthday cake has become an absolutely simple process—all from the comfort of your home. As it looks now, there will only be more products coming in at competitive price points and online retailing players are gearing up for that. "The way we price our products is that it will be the same if you purchase it offline or cheaper. It is never costlier than an offline option," says Vaitheeswaran.

But can the consumer be sure that he is getting the best deal if he goes the online way? eBay's Bajaj, on the pricing issue, opines that the existence of so many sellers will help the consumer in getting the best deal. "Our USP has been that we offer a wide selection of products on eBay," he says. On an average day, the site claims to sell a cell phone every nine minutes, a consumer electronics product every seven minutes and a piece of jewellery six minutes.

It is possible that the consumer might just land up with a product that is defective. Will the process of replacing it be easy? This is a question that often crops up and online retailers will have to have an answer to this. "Our policy has been that all products will be taken back within seven days without any questions being asked. This is something we decided to do from a very early stage and our overall level of returned products is less than 0.1 per cent," says Vaitheeswaran. He adds that quality levels of products across categories have improved tremendously and the behavioural pattern from a consumer's viewpoint too has changed. "As income levels increase," he maintains "spending too goes up." And well, it's all just a click away. That should be music to the shoppers' ears.

Where are the Deals?

In top-end camcorders and digital cameras, the net offers plenty of bargains. In cell phones, buying offline seems a better option.

PRODUCT: Sony DCR SR 40E 30GB Hard Disk Drive Camcorder SR 40
PRICE ONLINE: Rs 37,200*
OFFLINE PRICE: Rs 40,000

PRODUCT: Canon Powershot A540 camera
PRICE ONLINE: Rs 11,200*
OFFLINE PRICE: Rs 13,250

PRODUCT: Canon Powershot A530 camera
PRICE ONLINE: Rs 9,200*
OFFLINE PRICE: Rs 10,400

PRODUCT: Sony DCR SR 80E 60GB Hard Disk Drive Camcorder SR 80
PRICE ONLINE: Rs 46,550*
OFFLINE PRICE: Rs 55,000

PRODUCT: Apple ipod 30 GB
PRICE ONLINE: Rs 13,035*
OFFLINE PRICE: Rs 16,700

Websites are eBay, Rediff and Fabmall

*Includes shipping costs Source: *BT* research

ADVT.

Red FM Scores: ILT 06

The New #2?

- Over 21 Lac new listeners in less than a year
- Gap in listenership reduced from 22.1 Lacs to 3.6 Lacs from the erstwhile competitor
- Clearly consolidating as the No. 2 radio station and doing so really fast in both Mumbai & Delhi!

The fights on the radio fieldare beginning in right ea... private FM players are scrambli... for a bigger slice of the pie. Touted as the best thing to have happened since tel...sion took off, radio is living up to the hype.

Indian Listenership Track (ILT) 2006, has released the findings ... Mumbai and Delhi NCR region. The outcome indicates that ... radio listenership has grown ... marginally touching 33.6 per cent in 2006 (Wave 1) as compared ... in 2005.

Yesterday Listenership (YDL) in Mumbai has grown by 3.8 per cent; one week listener-ship has grown at a higher pace of 10.2 per cent. On the other hand, the findings project that Delhi witnessed a 9 per cent growth in YDL, which is much better than it's 4.8 per cent growth in last one week listenership.

Source : "YDL - ILT"

The findings indicate that the reach of radio (YDL) has gone up marginally by 3.8 per cent in Mumbai over 2005, adding about 1.8 million listeners. While, the reach of radio in Delhi has grown by 9 per cent adding about 500,000 listeners in 2006 Wave 1.

Weekend vs Weekday:

In Mumbai, the growth in weekend audience records three times the growth in weekday audience. The weekday audience registers 1 per cent and weekend records 10.9 per cent. This positive trend is reflected in Delhi also. The weekend audience growth touch 10.8 per cent and the weekday brings in 8.7 per cent, adding about 500,000 liste... in ... is ... been ... listening over the weekend than on a weekday.

Days listenership base:

Radio listeners in Mumbai for an seven ... cent from 22 per cent adding ... the other hand, Delhi ... grown by approximately 26 per cent. While, the growth in the 6-days a week segment has witnessed a growth of 24.4 per cent.

The increase in Delhi listenership base can also be attribu-ted to the fact that the listeners are tuning into mong num... stations. With respect to 2006 ... Delhi is racing ahead of ... Contrary to Mumbai, Delhi rec... listeners for YDL, while the G... records at 10511.

Listenership by radio stations:

The findings drawn proves that vast majority are still tuning to AIR FM2 100.7, wherein 123.8 per cent of Mumbai listenership base and 92.5 per cent of the Delhi listenership base.

A reserve pattern is visible in Delhi on AIR frequency 107.1, where 124.2 per cent is recorded, which is more than that of and 87.7 per cent of the Mumbai listenership base.

Radio Mirchi maintains its numero uno position in both the markets by increasing its reach from 43 per cent in 2005 to 44.4 per cent in 2006 in Mumbai. While, the reach in Delhi has grown from 70.4 per cent to 74.1 per cent.

It is worth noting that Red FM has registered an impressive growth of 64 per cent. In 2005, the reach was measured its reach at 20 per cent, while in 2006 wave 1, the brand records a reach of 31.7 per cent. This growth has been attributed to repositioning of the brand. In Delhi, the brand recorded 84.4 per cent growth. In 2005, the brand registered 20.0 per cent while, in 2006 the brand touched 33.7 per cent.

Radio City ... also went for a re-... ing ... r, records a drop 7.4 per ... t in M... bai while, in Delhi, the ... ation ... isters 14.1 per cent.

Radio One, which turned its route to a mass player, has achieved 19 per cent reach in Mumbai in the 2006 wave 1 as compared to a 6 per cent in 2005. The growth is attributed to the change in programming.

Among the private players, Red FM ... phenomenal growth and is ... close to the position of the ... player in Mumbai. The other brands have maintained its station share positions. The findi-ngs have been on both the total awareness and top of mind awareness. The survey released ... once again reinforced the strong ... of private FM players in a highly ... ve and rapidly changing ... ket.

... ts on the radio fieldare ... in right earnest. The private ... rs are scrambling for a bigger slice of the pie. Touted as the best thing to ... since television took off, ... ing up to the hype.

BEEHIVE

NEWS ROUND-UP

Algorithms Turn Managers

A number of new schemes are using numeric formulas to determine portfolio composition. MAHESH NAYAK

THERE'S A DIFFERENT TYPE OF scheme hitting the market these days which goes by a fancy acronym in the US: quant funds—in long form that stands for quantitative funds. But there's much more to these funds than just a fancy name. They rely on mathematical models to determine the extent to which fund managers will invest in either equity or debt, and in some cases even decide in which fund to invest depending on the composition of the stocks it holds.

As of now, the sophistication levels are yet evolving in the Indian market, so not many fund houses have launched such schemes. Till now, about four have found their way into the market using complex algorithms to determine basic asset allocation. With the markets running at all time highs, the strategy of most fund houses is to manage risks, and algorithms can play a big role here. Says Vikas Sachdev, National Head (Business Development), ING Vysya AMC, "Structured products have made a beginning and we will see more of these in the future. Markets are in uncharted territory so there's a need to focus on managing risk than on the returns through such funds."

Algorithm-based funds bring in discipline to investing so fund managers can rely on them to make crucial investing decisions. "Structured products follow a disciplined approach to investments," says Amar Pandit, Financial Planner, My Financial Advisors, "and at these high levels discipline comes handy." In a sense, structured funds are non-emotional as they follow a process of making investments. They use different market-based indicators that determine the process of allocation. For instance, Optimix's recent fund Dynamic Multi-manager Fund of Fund uses historical moving averages, the periodicity of which has not been disclosed. If the moving average crosses a particular trigger on the upside, the fund then cuts back on equity and moves into debt.

ABN-AMRO recently launched a Multi-Manager Fund with Dynamic Asset Allocation Strategy, while ING Vysya has come out with a Dynamic Asset Allocation Fund and Optimix, a Dynamic Fund of Fund. HSBC AMC has launched an 85 per cent Capital Protection Oriented as a portfolio management scheme (PMS). This scheme aims to protect 85 per cent of the capital.

If you are looking for some kind of discipline to your investing, perhaps these funds make the cut. But if the markets are set for a long-term rally then investing in a product that controls growth at every rise could curtail returns. Pandit feels that retail investors can stay away from these products. "On one hand we tell investors not to time the market, but structured products are a form of timing the markets." More so, these funds don't fit the profile of a long-term investor. Long-term investors can withstand short-term volatility. Says Hemant Rustagi, CEO, Wiseinvest: "Structured funds rebalance every week or fortnight to avoid being hit by volatility. But long-term investors need not worry about shifting or re-aligning asset allocation every now and then."

Backed by Numbers

Four new schemes using algorithms.

OPTIMIX DYNAMIC MULTI-MANAGER FOF	
Fund	Closed-end Fund of Funds
Style	Undisclosed moving averages are key determinants of equity and bond fund balance
Fund manager	Mugunthan Siva
Launched	November 10, 2006
Benchmark	CRISIL Balance Fund Index

ING VYSYA DYNAMIC ASSET ALLOCATION FUND	
Fund	Close-end Fund
Style	A complex preset formula determines asset allocation. Stock selection prerogative of fund manager
Fund manager	Equity: Paras Adenwala; Debt: Ramanathan K.
Launched	September 27, 2006
Benchmark	CRISIL Balance Fund Index

ABN-AMRO MULTI-MANAGER FUND WITH DYNAMIC ASSET ALLOCATION STRATEGY	
Fund	Close-end Fund of Funds
Style	The simulation based on market movements. A rise will increase allocation to debt and vice versa
Fund manager	Equity: Prateek Agarwal; Debt: Mahindra Jajoo
Launched	October 30, 2006
Benchmark	CRISIL MIP Blended Index

HSBC 85% CAPITAL PROTECTION ORIENTED PORTFOLIO	
Fund	Open-end PMS
Style	85% of capital protected at all times. Requires minimum investment of Rs 25 lakh
Fund manager	Sai Pampi
Launched	December 5, 2006
Benchmark	S&P Nifty

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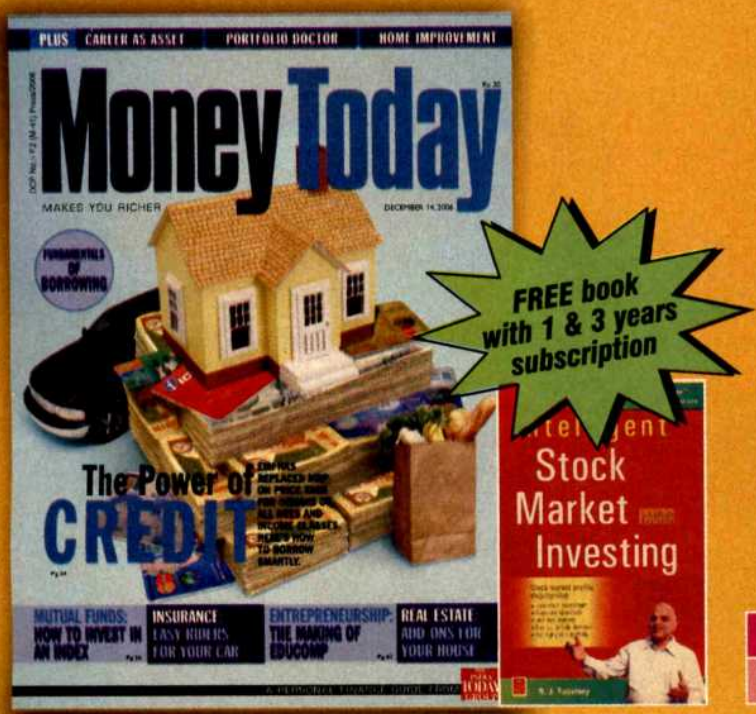

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Sound Surveillance

SEBI's new mechanism to track market deals could end price manipulation.

YOU MAY NOT HAVE TO WORRY ABOUT STOCK manipulation henceforth. On December 1, 2006, the Securities and Exchange Board of India (SEBI) launched a sophisticated Integrated Market Surveillance System (IMSS) to track trading data from all the market participants—stock exchanges, depository participants, custodians as well as data of clearing houses. Now SEBI will be able to keep tabs on any suspicious activity in the stock market in all segments.

This new surveillance system can keep track of transactions for fractions of seconds and is designed to process 3-4 gigabytes of daily data. Besides, the system will store 1.2 terabytes of data which effectively means that SEBI can access seven years of transaction data without much loss of time, which will mean identifying possible manipulators in quick time. By integrating all the market participants, SEBI can now detect suspect transactions across the breath of the market. SEBI's whole-time member G. Anantharaman says that the objective is to swiftly detect market abnormalities.

Keeping a Close Watch

- The surveillance system will track data from all market participants
- Capable of processing 3-4 gigabytes of daily data
- It will quickly analyse data and detect potential market abnormalities

However, SEBI will not be able to monitor the transactions on a real-time basis as it will obtain data from the stock markets only after market hours, and real-time surveillance will continue to be done by the stock exchanges.

The new system, however, will strengthen SEBI's ability to monitor unusual or abnormal trading patterns and also to identify, analyse and initiate timely action against manipulators. The data, which will also be used for enquiry and research, is expected to accelerate SEBI's investigation process. If the project is a success, it should spell the end for stock manipulators. ■

CLIFFORD ALVARES

MF SCOREBOARD: NOVEMBER 2006

The top five performers category-wise.

RANK	SCHEME NAME	1-MONTH RETURNS
DIVERSIFIED EQUITY		
1	Tata Service Industries	11.54
2	SBI Magnum Global Fund 94	11.40
3	SBI Magnum Mid-cap	10.80
4	Kotak Lifestyle	10.53
5	HSBC Mid-cap Equity	10.14
ELSS		
1	SBI Magnum Tax Gain Scheme 93	8.75
2	ABN-AMRO Tax Advantage Plan	8.21
3	Principal Tax Savings	7.94
4	ING Vysya Tax Saving	7.45
5	Kotak Taxsaver	7.23
SECTOR FUNDS		
1	Reliance Diversified Power	13.61
2	Reliance Media & Ent.	11.60
3	UTI Thematic Infrastructure	11.56
4	UTI Growth Sector Fund-Services	11.48
5	UTI Thematic Banking Sector	11.20
BALANCED FUNDS		
1	SBI Magnum Balanced	6.75
2	JM Balanced	6.36
3	Tata Balanced	5.49
4	HDFC Prudence	5.08
5	Can Balanced	4.50
MIP		
1	ABN-AMRO MIP	3.30
2	UTI-MIS-Advantage Fund	2.15
3	HSBC MIP-Savings Plan	1.82
4	LIC MIP	1.78
5	DWS MIP Fund-Plan A	1.75
INCOME FUNDS		
1	Birla SunLife Income	2.08
2	Sahara Income	1.99
3	DWS Premier Bond Fund-Regular Plan	1.71
4	Prudential ICICI Income Fund-IP	1.58
5	Prudential ICICI Income	1.53
LIQUID FUNDS		
1	HSBC Liquid Plus Fund-IP Plus	0.63
2	LIC MF Liquid	0.63
3	DSP ML Liquid Plus Fund-IP	0.62
4	DWS Money Plus	0.62
5	HDFC Cash Mgmt Fund-Savings Plus	0.62

Absolute returns percentage as of November 30, 2006 Source: Mutualfundsindia.com

VICTORY AGAIN

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Aaj Tak has been declared the 'Best Hindi News Channel' at the Hero Honda Indian Television Academy Awards for the sixth year in a row.Thank you viewers, advertisers and cable operators for making Aaj Tak the Nation's Voice once again.

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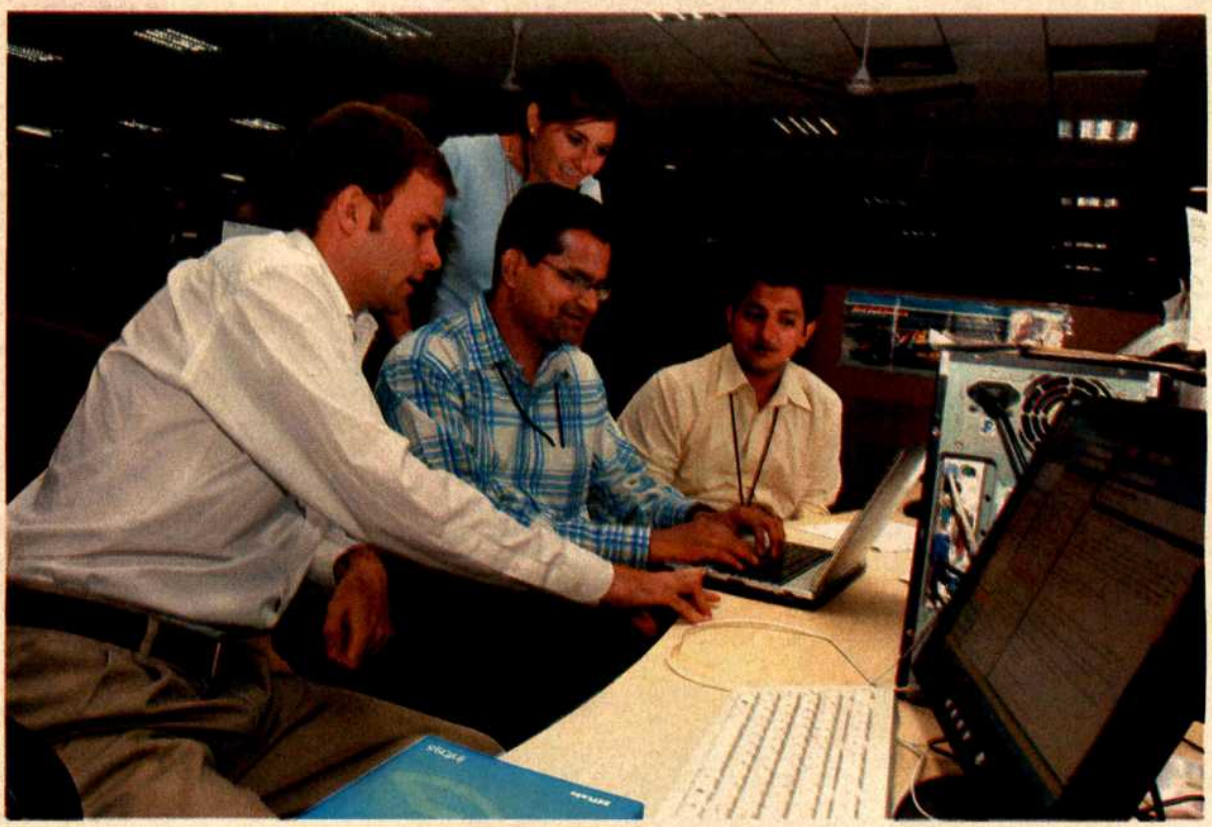
HUNTING JOBS

Connecting Across Cultures

The workplace is becoming increasingly multi-ethnic and multi-cultural. What are the new rules of engagement? RAHUL SACHITANAND AND SHIVANI LATH



GIREESH G.V.

Getting global: Understanding cross-cultural nuances is gaining momentum across companies like Infosys

AS INDIA BECOMES INTEGRATED with the global economy, it is becoming imperative for people across industries to be prepared to work not just anywhere across the country, but across the globe as well. This places many demands on them, but, perhaps, the most important is the ability to quickly assimilate and work in alien cultures. "You have to be sensitive to local culture and traditions," says Ravi Kant, Managing Director, Tata Motors.

That, in fact, is fast becoming a key determinant of success in today's multi-cultural and borderless corporate environment. "Wipro's IT services business is based on a Global Delivery Model. Both employees and customers come from every part of the world and, hence, understanding cultural nuances is essential," says Ranjan Acharya, the company's Corporate Senior Vice President (Human Resources). This comprehension isn't restricted to the IT industry alone, but to several other fast-growing sectors such as pharma, retail, infrastructure and manufacturing. "We are unleashing the largest talent pool in the world today and around 200 million people will join the nation's productive age bracket by 2013. The opportunity is there for all to see and it is for us to grasp it with both hands—but this will only happen if we prepare ourselves to become truly global citizens," says P.C. Rajiv, Head (HR) ABB.

To be successful in the global

Today, international experience is almost becoming

marketplace it is imperative to focus on areas such as etiquette, culture, interpersonal communications, conflict resolution and man-management skills, especially when teams are spread across geographies. "The cross-cultural training at Tesco Hindustan Service Centre (Tesco HSC) enables our people to understand and appreciate different cultures and customs, and this leads to better service delivery to our customers," says Sudheesh Venkatesh, Head (HR) Tesco HSC, the Indian IT and BPO arm for the British retail giant.

Today, international experience is almost becoming *sine qua non* for rising up the corporate hierarchy. Ambitious executives will do well to remember that competence, even excellence, in one's core functions contributes only partially to one's success. "When we hire people, we look not only for technical skills but also for cultural adaptability and the way they present themselves," says S. Padmanabhan, Executive Vice President, Global Human Resources, TCS. Ambitious executives, please take note.

Mohanbir Sawhney, McCormick Tribune Professor of Technology and Director of the Center for Research in Technology & Innovation at Kellogg Graduate School of Management, US, has been quoted in the media as saying that Indian executives, having mastered the science of writing software code, must now learn the fine art of balancing wine glasses in their palms. And therein lies the rub. Many Indian executives come from monocultural backgrounds and, so, find it difficult to adjust to a multicultural environment. Many companies work around this problem by developing in-house programmes on the subject for their executives. Others hire cross-cultural trainers

UMESH GOSWAMI

"We look not only for technical skills but also for cultural adaptability"

S. Padmanabhan, Executive Vice President (Global HR), TCS

SOUMIK KAR

"You have to be sensitive to local culture and traditions to succeed"

Ravi Kant, Managing Director, Tata Motors

HOW TO AVOID CROSS-CONNECTIONS

You should keep the following in mind when dealing with colleagues and partners from other countries, according to Simi Suri, a certified cross cultural trainer.

- Americans are very aggressive and pushy. You must be clear about what you want from them and put your views across clearly and up front.
- The Japanese are very slow in decision making, very hierarchical and have very large teams. You have to be patient when dealing with them. Also, do not think that you can crack a deal by going to Japan just once. It is better to approach Japanese companies through a mediator who is a respected member of their society.
- The Chinese bargain very aggressively; always keep a large margin for bargaining.
- The French, the Italians and the Australians are very possessive about their time. Don't expect them to sit with you outside of office hours or on weekends just because you are visiting.
- In general, be sensitive to the fact that it is often difficult for executives in the West to digest the fact they are reporting to someone from the developing world.
- Read up about local culture and traditions before embarking on an assignment to any country.

sine qua non for rising up the corporate hierarchy

"The opportunity is there for all to see and it is for us to grasp it with both hands—but this will happen if we prepare ourselves to become global citizens"

P.C. Rajiv, Head (HR), ABB

from outside. "Being a global citizen is mandatory today, especially in the IT industry, where global delivery is the norm. The key to being successful in this world is the ability to operate seamlessly anywhere in the world," says Srinath Batni, Director & Head, Global Accounts, Asia Pacific, at Infosys Technologies, who oversees the company's operations in key markets such as Japan and Australia as well as emerging markets such as China.

Kris Wadia, Partner, Global Delivery Network, Accenture, says quickly assimilating how business works is often the difference between success and failure. "Communications is the most important step in this process," he says. For example, in Europe, West Asia and Africa, it is customary to greet people with a "Good Morning" or "Good Day" when you meet and also when you call in. Most Indians usually begin their conversation with a "Hello" (over the phone) or just a "Hi". This may cause offence and lead your opposite number to think you are being rude or unjustifiably familiar. So, it is important to understand how people belonging to different cultures react to a given stimulus (See *How to Avoid Cross-Connections*).

"Communication is the most important step to understand business"

Kris Wadia, Partner, Global Delivery Network, Accenture

Being a successful global executive also often means unlearning and re-learning best business practices depending on the local market. In China, for example, Infosys gives its employees extensive language training. "Language is something that is critical for markets such as China and Japan, where English is not the *lingua franca*," says Infosys' Batni. "Most managers chosen for foreign assignments are selected for their skills and accomplishments in their home country; but these may not be useful in the country of their posting. Companies, and executives, must keep that in mind," says ABB's Rajiv.

There are other issues that Indian executives have to get used to as well. "The Spanish have unusually long lunch hours," says Padmanabhan. "Here in India, we get 30-45 minutes on good days; on others, we eat on the move. So, it can be painful if lunch keeps dragging on... but we have to learn to be patient. Then, in the US, people start work very early—at 6.30-7 a.m. and wind up by 4 p.m. That is very different from the way we work." But these are things that ambitious executives must take in their stride and get used to very fast.

And it's not just junior- and middle management-level executives who have to learn new tricks. Even senior and top management personnel also have to be on top of the learning curve if they want to play big roles in their companies. Among other things, Tata Motors' Kant has had to learn to enjoy Korean rice and *kimchi* (fermented cabbage) and drink shots of *Soju*, the traditional Korean liquor following the Tata takeover of Daewoo Motor's heavy commercial vehicle plant.

The moral of the story, then, is that globalisation is not something that politicians and business leaders discuss at Cabinet meetings, boardrooms and seminars. It has now reached our workplace and our lives. The sooner we embrace and internalise it the better it will be for us—professionally and personally. Swimming with the tide, after all, is so much easier than going the other way.

ADDITIONAL REPORTING BY NITYA VARADARAJAN

Call of the Sea

Shipping services firms and shipyards can be great places to work in.

THE DEMAND FOR MARINE ENGINEERS AND NAVAL architects is at an all-time high. Why? Because the entry of the private sector into ship-building and the entry of more foreign lines into India is creating new opportunities every day. The one space to watch out for, however, is the ship building industry. As many as 10 private shipyards are expected to come up over the next 2-3 years and the job prospects for naval architects, engineers from various streams as well as mariners who do not wish to sail anymore, are huge. Says Subir Das, Deputy General Manager, ABJ Shipyards, a private sector company in this space: "There is a huge difference between demand and supply. Only about 400 students graduate every year; the demand is at least three times as large. As a result, salaries are going through the sky. And our order books are full till 2020, so we have to hire."

SHIVANGI MISRA

FACT BOX

WHO'S HIRING: L&T, Reliance, Essar, ABJ Shipyards and almost every company that owns ships

WHO'RE THEY HIRING: Marine engineers, electronic engineers, electrical engineers, structural engineers, naval architects and sailors who now want shore-based jobs

AT WHAT LEVEL: Hiring is taking place across the hierarchy, from entry-level positions to top management

AT WHAT SALARIES: Entry level salaries are in the range of Rs 6-10 lakh per annum (in some foreign firms this could go up to $3,000-4,000 a month); at mid-levels, salaries typically range from Rs 20-30 lakh p.a.; top level positions can come with eight figure salaries, especially in foreign companies

COUNSELLING

HELP, TARUN!

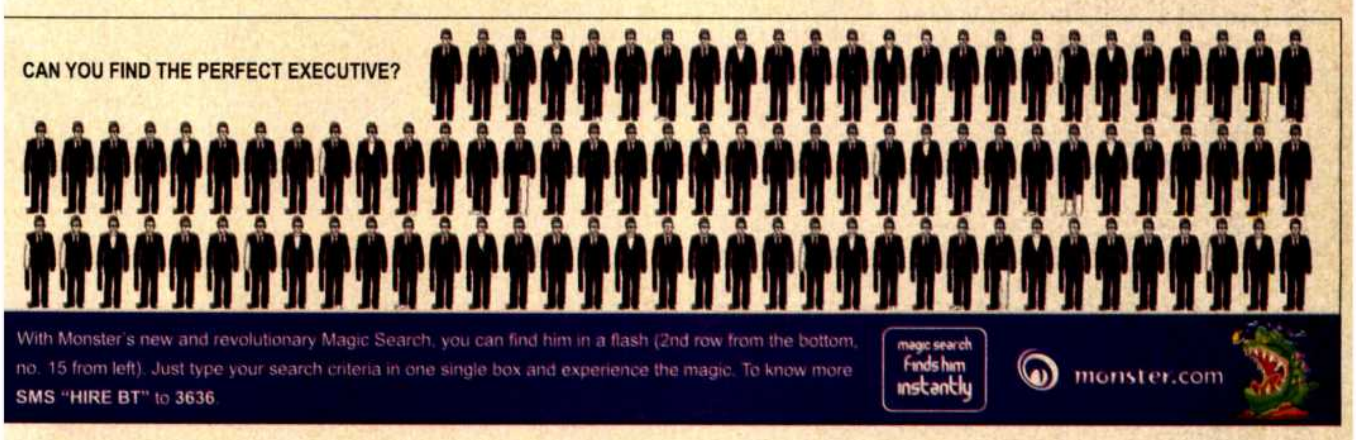
Q: I am a 50-year-old engineer with an MTech degree and 25 years of work experience. For the past five years, I have been working as VP (Marketing) with a Mumbai-based FMCG company. I now want to shift to Delhi for personal reasons, but the prospects are few. What should I do?

There are several consumer product companies in Delhi. You could start by meeting some good recruitment consultants and by sending your resume directly to companies. Given the vast experience you have, and if you are financially sound, you could also explore the idea of setting up your own consultancy.

Q: I am a 23-year-old BTech (Computer Science) working with an IT company for the past one-and-a-half years. The company sends senior executives for a six-month MBA programme to IIMs. I am in a fix whether to take up this offer or go for a full-time MBA programme. Please advise.

As you have age on your side, you can afford to leave your job and pursue a full-time MBA programme. It will help you in the long run than just doing a part-time course. Besides, your company is more likely to send senior and experienced executives for the programme and it will be a while before your turn comes.

Answers to your career concerns are contributed by Tarun Sheth (Senior Consultant) and Shilpa Sheth (Managing Partner, US practice) of HR firm, Shilputsi Consultants. Write to *Help,Tarun!* c/o *Business Today*, Videocon Tower, Fifth Floor, E-1, Jhandewalan Extn., New Delhi—110055.



Senior Management Jobs

Read in the following order - Company Name, Position, Location, Experience, Job ID, Job Description.

Bangalore Software Services (P) Ltd., Vice President – Marketing, Bangalore, 10 - 18 Years, 2674782
Applicant should have worked in an automotive or engineering industry as head of marketing. Ideal candidate should have a good relationship with the car, truck, tractor & Motorcycle OEM's in India.

Dell, Online Content Developer - Team Manager, Bangalore, 10 - 15 Years, 2531341
The role's primary focus is on people management, streamlining online processes, improving online resource efficiencies (reducing opex, increasing productivity) and driving enhanced/consistent global online content.

HDIL, DGM Architect, Mumbai, 10 - 15 Years, 2639387
Selected candidate will be responsible for monitoring of executions, co-ordination with site staffs for various projects including monitoring against prepared schedules, and inspection of quality of material & workmanship.

Hindustan Construction Co. Ltd., Project Mechanical Engineer, Mumbai, 13 - 17 Years, 2693776
The incumbent needs to be a person who has a thorough knowledge & experience of working with different kinds of cranes, caissons, batching plants, crushing plants, concrete pumps, floating crafts, large power generating sets, large dewatering pumps with a through experience of working with bridge construction.

Husky Energy, Senior Project Controls Engineers / Specialists, Chennai & Mumbai, 10 - 15 Years, 2707974
He/She will play a vital role by assisting the project manager in managing key project variables related to all aspects of the project and project controls functions.

IPsoft India Pvt. Ltd., Head of Sales - Remote Infrastructure Management, Bangalore, 10 - 15 Years, 2427301
The candidate will be responsible for client delivery assurance and business development within India, Asia pacific business regions.

Lambda Eastern Telecommunication, General Manager, Gurgaon, 25 - 30 Years, 2663886
The candidate should be a navy or airforce retired. Incumbent should have experience at the level of brigade or above.

Minda Stoneridge Instruments Limited, Head Operations, Pune, 15 - 20 Years, 2697874
This person will be responsible for entire production, quality and purchase & storage activity. Must have the productivity improvement tools like VSM (Value Stream Mapping), line balancing, TAKT time reduction, customer complaint, warranty and rejection handling.

NXP Semiconductors India, Architect (Product focus), Bangalore & Hyderabad, 9 - 12 Years, 2696874
The candidate should have experience in design and development of real-time embedded systems and knowledge of C, C++, real-time embedded programming, and software architecture.

Oracle India Pvt. Ltd., Product Manager/Program Manager, Bangalore, 10 - 15 Years, 2579457
He will be responsible for establishing a working team with individuals from oracle support, documentation, curriculum dept., marketing, release management and product management to help deliver a full service beta program.

PCS Industries Ltd., Software Delivery Head, Mumbai, 15 - 25 Years, 2613915
The incumbent should have handled project delivery for multiple international projects. Will be responsible for total project delivery. Must have multiple technology exposure.

SAP Labs India Pvt. Ltd., SAP-CRM Functional Consultant, Bangalore, 10 - 12 Years, 2703306
The incumbent will provide implementation consulting services to customers on design and implementation of CRM solution in the areas of sales, service, marketing and channel management.

Sun Microsystems, Software Engineering Manager, Bangalore, 10 - 15 Years, 2700267
The candidate will have the responsibility of quality, timeliness and quantity of the engineering deliveries. This position will work in a matrix organization structure.

Tarang, V.P - Delivery, Bangalore, 15 - 20 Years, 2546599
The candidate should have good experience in BFSI domain. Experience in payment segment will be an added advantage, POS domain prefered.

Tops Security, General Manager Admin. & Legal, Mumbai, 10 - 15 Years, 2700800
Should have knowledge and expertise of handling government authorities, PF/ESIC matters, labour law/ criminal/ property-related/ consumer redressals/ HUFs/ tax/ fidelity-indemnity laws.

Tribal Fusion R & D India Pvt. Ltd., Solaris Server/Distributed System Engineering Manager, Noida, 10 - 15 Years, 2536093
The ideal candidate will be responsible for driving team working on Tribal Fusions Ad Server core technology. This position requires strong hands on Unix / C server development skills and excellent analytical capabilities.

Wheels India Ltd., Manager (Purchase), Chennai, 10 - 20 Years, 2688221
Should have knowledge of purchase, procurement and vendors related to manufacturing of axles or any mechanical engineering items. Responsible for in-house planning and ROI maintenance of engineering items.

Wipro Limited, Senior Delivery Manager, Pune, 10 - 15 Years, 2690316
The selected person will plan, facilitate and coordinate toward achieving the projects quality goals (process & product). Will ensure that all deliverables made to the customer comply with quality policy and standards and procedures established by Wipro.

HOW TO APPLY FOR THESE JOBS: 1. Logon to www.monster.com

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IT Jobs

Read in the following order - Company Name, Position, Location, Experience, Job ID, Job Description.

DynPro India Pvt. Ltd., Mainframe Developer, Delhi, 2-6 Years, 2707303
Applicant should have working experience in Mainframe, CICS, Cobol, JCL, and VSAM. Knowledge of Coolgen, PL-1, IMSDB, IMS is an added advantage.

Aurobindo Pharma Ltd., Oracle Apps., Hyderabad, 2-7 Years, 2504569
The candidate should have worked as a Oracle developer with excellent SQL and PL-SQL skills.

CEI India Pvt. Ltd., J2EE Technical Leads, Chennai, 5-7 Years, 330065
Should have experience in Java, J2EE Architecture, EJB 2.0, CMP 1.1 or 2.0, JSP/Servlet framework, gang of four design patterns, UML and expertise in rational unified process methodology.

Celstream Technologies Pvt. Ltd., C# / .Net Developer, Bangalore, 2-4 Years, 2695263
The candidate should have hands-on experience in .Net with C#, C++, VC++. Should have worked on OOPS/OOAD. Should be good in client server architecture, webservices, remoting. Should be aware about multi-threading concepts.

CEM Solutions, Tech Lead / Senior Developer, Bangalore, 3 - 8 Years, 2686429
The person must have experience & knowledge of Java, J2EE (JSP, Struts, Session Management, Security) in Linux (any Unix flavor) platform. Should have knowledge about Apache-Tomcat /JBoss Web Server, clustering and shell scripting. Should be strong in troubleshooting/debugging.

DCM Data Systems (IT Division of DCM Ltd.), UNIX System Administrator, Gurgaon, 4 - 9 Years, 2616417
An ideal candidate should have strong knowledge of UNIX / LINUX / AIX installation, configuration and administration.

ETP International Pvt. Ltd., Test Engineer-Manual Testing, Mumbai, 2-3 Years, 2689652
Responsible for defect reporting and tracking, installations of product and releases on pre-sales m/c, end to end Integration testing of ETP products, coordinating with development team for getting the fix and latest version for the demo. Should have experience in testing and knowledge in Microsoft SQL

Ikanos Communications (I) Pvt. Ltd., Software Quality Assurance Test Engineer, Bangalore, 5 - 7 Years, 420552
Will work with the engineering team members to create test processes, various test specifications, test cases & scenarios for sanity, integration, regression, alpha, beta & production testing of all software of Ikanos VDSL/ADSL products.

I-Link Software Pvt. Ltd., Java /J2EE Developers, Bangalore, 2 - 6 Years, 2675202
Should have application server experience, preferably with IBM websphere, webLogic, IIS and Jboss. Should have worked with tools such as ANT, AJAX, JUnit, NUnit, and some source code tool such as CVS, VSS, etc.

Induslogic, Lead – Usability Engineering, Noida, 4 - 6 Years, 2693512
Should have experience in implementing usability engineering and design. Should have ability to understand customer requirements and draw up usability and design project plans.

Intelliswift Software India Pvt. Ltd., Project Leader / Senior Software Engineer, Mumbai, 4 - 8 Years, 2692167
Candidates must be very well - versed with Pro C with hands - on experience in it.

Ixia Technologies Pvt. Ltd., Technical Manager/Team Leader-WLAN, Kolkata, 5-12 Years, 2580531
The candidate should have experience in working with C/C++, Linux/VX Works/Windows. Familiarity or understanding of WLAN protocols 802.11a, 11b and 11g.

Moytex Financial Software Ltd., SQL Server Developer (TL/PM), Hyderabad, 6-12 Years, 2693255
The candidate should have experience in database design and development skills including views, triggers, report and stored procedures in both SQL Server Transact-SQL and Oracle PL/SQL.

OTC Software, .Net Developers / Senior Software Engineers, Noida, 2-4 Years, 1882015
Will be responsible for development of a web based GIS applications. Will participate in low level design and perform coding & unit testing of several modules of the product.

Procentris India Pvt. Ltd., Team Leader - Dotnet, Mumbai, 3 - 8 Years, 2588362
Will develop web applications as well as lead teams to solve critical business problems while using his/her leadership skills to coach a team working together to deliver an aspect of project architecture.

Thorogood India Pvt. Ltd., Business Intelligence Developer, Bangalore, 2-5 Years, 2678909
The selected candidate should have experience of providing BI consultancy services, preferably to clients in the pharmaceutical, consumer packaged goods or financial services sectors. They should have demonstrable skills in two or more of the following technologies: Microsoft SQL Server, SSIS, DTS, analysis services, Microsoft sharepoint, cognos, business objects, Oracle OLAP, SAP BW, Microsoft biztalk or Siebel.

Sonata Software, Oracle Developer, Bangalore, 3-4 Years, 2584023
The candidate should have knowledge and working experience in PLSQL, Oracle.

V2Soft Pvt. Ltd., Unix Shell Scripting Professional / Tech Lead, Bangalore, 5-8 Years, 2709318
The candidate should have strong experience on Unix K-Shell scripting. Should have hands on exposure of Oracle (PL/SQL) and prior experience on production support.

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Sales and Marketing Jobs

Read in the following order - Company Name, Position, Location, Experience, Job ID, Job Description.

ACL Wireless Ltd., Manager - Business Development, Delhi, 4 - 6 Years, 2468113
The candidate would work closely with different departments within the company for achieving the end business objectives for the region.

C.G.Technosoft Pvt. Ltd., Head of Marketing Department, Mumbai, 5 - 10 Years, 2703810
The person needs to define target customer and segment for Indian market, & define local marketing strategies & plans to address the identified segment.

Changepond Technologies Ltd., International Business Development Manager, Chennai, 5 - 15 Years, 399574
The candidate should be able to understand customer's requirement and design technically and commercially superior solution by effectively utilizing & deploying the resources.

Ebay, Asst. Manager – Seller Marketing, Mumbai, 3 - 4 Years, 1834450
Should identify potential customers by defining market categories & geographical priorities. Should develop & implement targets & incentive plans to guide the business acquisition team towards achieving the same.

Fulcrum Logic, Inc., Business Development Executive, Mumbai & Pune, 2 - 5 Years, 2535718
The candidate should have excellent knowledge in complete IT sales cycle from prospecting to closure. Experience and knowledge of lead generation, market penetration and business development through networking.

GE Industrial, Consumer & Industrial, Customer Segment Mgr. / PLP Sales, Delhi, 5 - 7 Years, 2696537
Incumbent will be responsible for independently handling regional segment business, locating potential upcoming building projects, planning out the yearly & monthly regional budgets, carrying out the A&SP activities & ensuring achievement of regional weekly, monthly & annual sales budget.

Imageware, Business Development Manager, Delhi, 3 - 6 Years, 2378723
Candidates should have experience in sales and marketing of software solutions, web-based services & other IT Services. In addition to having the ability to build a brand & position it globally, he/she should have strong leadership, managerial & analytical capabilities.

Kruger M & E Industries (I) Pvt. Ltd., Sales Engineer, Mumbai & Pune, 1 - 5 Years, 2674374
The candidate should have experience as a sales executive in HVAC Industry. The candidate will be responsible for achieving sales target in his/her's respective territory.

Magna Services (I) Pvt. Ltd., Head Marketing, Mumbai, 8 - 13 Years, 2707549
The candidate will be responsible for developing brand strategy based on overall business plans, conceptualizing the brand look & feel based on the designer input on current & future design & fabric forecasts and formalizing the processes involved in creation & execution of seasonal campaign.

Nortel, Marketing Co-ordinator, Bangalore, 2 - 5 Years, 2702838
The successful candidate will own the database, keep it updated, segment it and make reports available for marketing campaigns. Responsible for tracking leads generated from marketing campaigns and following up with the relevant sales teams to ensure that leads are handled appropriately.

One Inda, Business Development Manager, Hyderabad, 5 - 10 Years, 2664167
Responsible for generating business from new accounts which includes proposal preparation, understanding competition and correct positioning.

Orix Auto & Business Solutions Ltd. (I), Asst. Managers / Manager - Lease Marketing, Mumbai & Pune, 4 - 6 Years, 2610759
Responsible for branch target & profitability of the branch, increasing business and explore opportunities for growth in the branch.

Real Soft Inc., Sr. Executive-Business Development, Bangalore, 3 - 5 Years, 2695649
The candidate should have very good knowledge about account management, channel management, tele-marketing and product/solution sales. Should have experience in a software products/service organization.

Sorix Solutions Pvt. Ltd., Business Development Manager, Hyderabad, 3 - 6 Years, 1874205
The incumbent should generate leads and actively participate in sales cycle. Must have international telesales and selling enterprise application offshore services (Oracle eBusiness Suite) experience.

Third Eye Technosoft Pvt. Ltd., Pre-Sales Manager, Mumbai, 3 - 4 Years, 2707042
The candidate should have worked on ERP/CRM/.NET enterprise applications, BI applications (any of these) in more than one vertical with complete SDLC. Knowledge of SPS 2003, .NET, workflow, application integration, SQL server database, active directory.

TNS India Private Ltd., Head - Business Development, Mumbai, 9 - 12 Years, 2675859
Responsible for meeting the business target for the territory, tracking the industry, understanding industry issues, understanding client's business issues, probatively proposing solutions & initiatives, marketing and delivery of syndicated studies.

Vintron Informatics Ltd., Sales Manager, Delhi, 3 - 7 Years, 2672839
Candidate should be capable of creating a dealer network throughout the country. Should have experience as a sales manager in any manufacturing industry.

Winsoft Technologies (I) Pvt. Ltd., Marketing Manager, Mumbai, 5 - 7 Years, 423707
Should have experience in IT - software marketing/sales. Should have experience in handling marketing and promoting sales, presenting solutions to customers and generating new leads.

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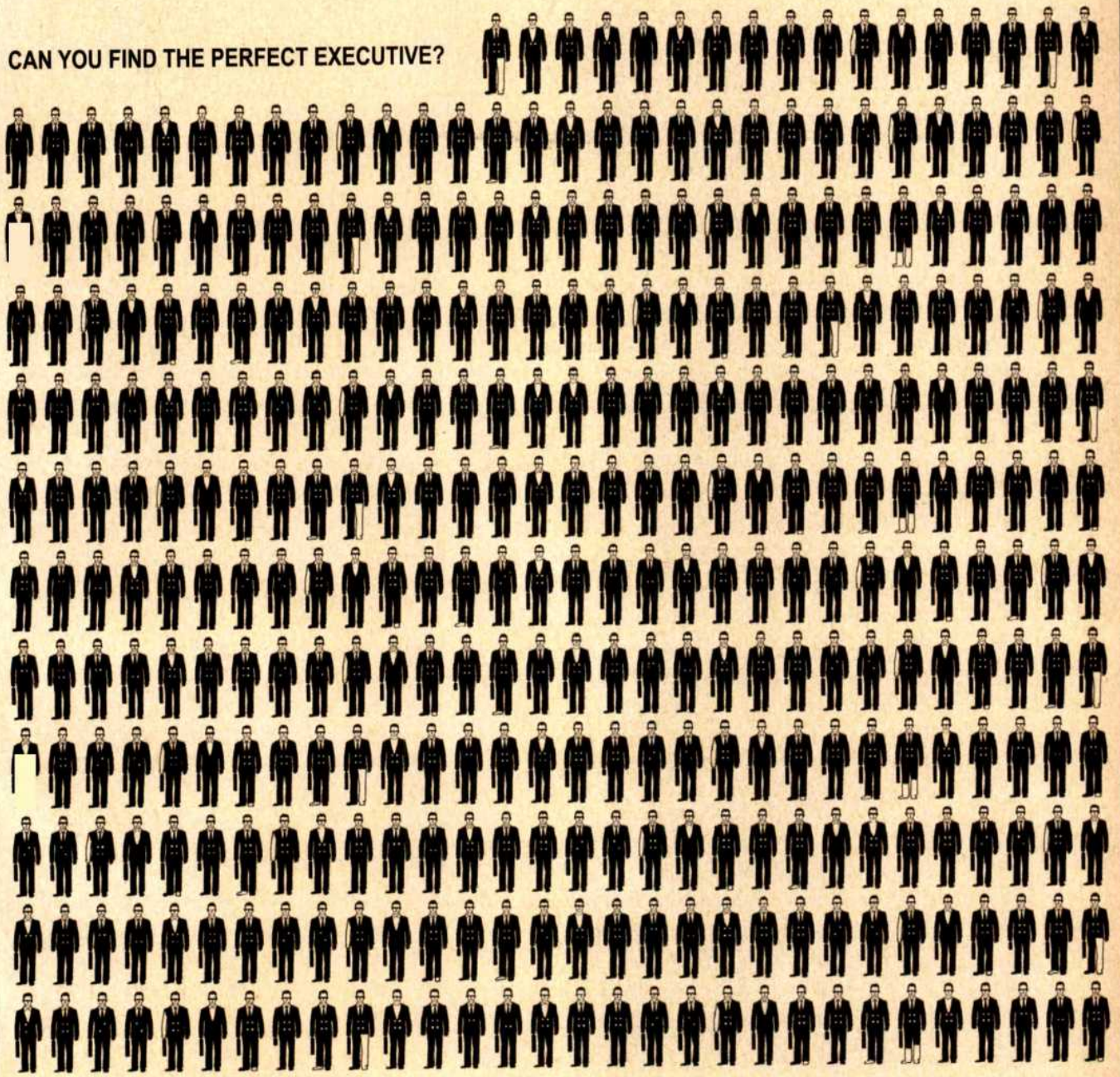

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THE ADITYA BIRLA GROUP IS SHOPPING FOR A FRESH CHALLENGE. BUILD AN EXCITING CAREER IN RETAIL.

A US $9.7 billion corporation with a market capital of US $15 billion, the Aditya Birla Group is anchored by an extraordinary force of 82,000 employees, belonging to 20 different nationalities. Over 25 percent of the Group's revenues flow from its operations across the world. The Aditya Birla Group's products and services offer distinctive customer solutions worldwide. The Group has manufacturing operations in 14 countries.

The Aditya Birla Group enjoys a leadership position in all of the sectors in which it operates. It now has ambitious growth plans in the area of retailing. In order to establish a leadership position in this sector, the Group invites leaders in the following functions:

Sourcing and Merchandising Professionals

(Reference Code - 001)

The Group requires astute merchants with strong commercial skills in buying and sourcing experience across categories such as Food and Grocery, General Merchandise including Consumer Durables, Electronics, Homeware and Furniture and Apparel and Personal Accessories. Applicants are required for the following positions:

•Category Heads (20 years plus experience) •Category Buyers (8 to 15 years) •Buyers and Assistant Buyers (2 to 10 years) •Merchandising Heads (15 years plus experience) •Merchandising Managers (7 to 15 years) •Assistant Merchandising Managers (2 to 5 years) •Packaging Professionals (5 to 20 years)

International experience would be a plus point.

Quality Control Professionals

(Reference Code - 002)

Individuals with experience in setting, testing and improving quality standards in the product categories of Perishable and Non-Perishable Food, Electronics and Apparel are invited to apply for the following positions:

•Head of Quality Control •Category Quality Control Managers •Regional Quality Control Managers

International experience would be a plus point.

Supply Chain Professionals

(Reference Code - 003)

Experienced individuals in managing supply chain and logistics for both domestic and overseas sourcing can apply for:

•Head of Supply Chain •Logistics Head (Domestic) •Logistics Head (Overseas) •Logistics Managers

People with lesser experience would be considered for reporting roles to the above positions. In addition, the Group would require people with experience in running large scale distribution centers.

International experience would be a plus point.

Store Designers and Planners

(Reference Code - 004)

Architects / Interior Designers with experience in retail and service industry format design would be ideal. The Group needs visionaries who can give life to business plans, developing and taking concepts to actual retail units and merging the merchandising

plan with the Brand architecture of the corporate entity. Exposure to and knowledge of CAD / CAM would be necessary.

Business Development (Realty Sourcing)

(Reference Code - 005)

Outstanding individuals with strong commercial skills in identifying and negotiating real estate are invited to apply for the following positions:

•Head Business Development •Regional Business Development Managers •Managers - Business Development •Project Managers

Successful candidates must have strong understanding of regional and local issues with regard to commercial properties. Prior experience in managing businesses in various markets across India, helps in giving a valid business perspective to the sourcing of real estate. Project Managers would have strong technical and execution skills with a background in civil engineering.

Human Resources

(Reference Code - 006)

The Group recognizes that Retailing is a peoples business and therefore invites human resource professionals with a proven record in business, for the following positions:

Head Learning Center: Applicants to this position will be responsible for envisioning, designing and execution of a Learning Center that would address the training needs of the retail supervisory and customer contact work force. In the 15 years plus, of the applicant's experience, he would have worked in industries with high customer contact and ideally been in the training and development function.

Business HR Leaders: This leadership position provides Human Resource solutions to the businesses it supports. Applicants will lead a team of HR professionals to provide these solutions and be part of the Business Leadership Team. In the applicants' 12 years plus, of post MBA experience, they would have handled large portfolios and preferably had some experience with start-ups too.

Applicants with lesser experience, but the desire to contribute to this team, are welcome to apply. They would be considered for junior positions in the team. They would work in the portfolios of Talent Acquisition, Management or Development.

Finance

(Reference Code - 007)

Finance professionals with 8 to 20 years post-qualification experience, are invited for the following positions:

Business Finance Leaders: This leadership position will provide solutions in the financial space, to ensure that each business achieves its objectives. Qualified finance professionals with 15 years or more of experience, with a strong business orientation would be successful in this role.

Finance Managers / Executives: Professionals with 5 to 15 years of experience are required. They must ensure that the commercial rigor in the business is met with defect free execution and without forsaking speed. The following areas of expertise are relevant: Project Accounting / Loss Prevention / Taxation and Compliance / Working Capital Management / Accounting and Audit.

All positions would be based out of Mumbai. Please respond mentioning the reference code and position applied for, in the subject line of your email to us.

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ADITYA BIRLA GROUP

TAKING INDIA TO THE WORLD

1729 - "What a dull number"

Visiting Ramanujan in a Cambridge hospital where he was being treated for tuberculosis, Godfrey Harold Hardy said: "I rode here today in a taxicab whose number was 1729. This is a dull number." Ramanujan replied: "No, it is a very interesting number; it is the smallest number expressible as a sum of two cubes in two different ways." It's not just his mathematical prowess that is exhibited in this anecdote, but a love for numbers.

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- Investment Analysis, Research & Modeling
- Business Intelligence & Marketing Services

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Analyst / Sr. Analyst - Quantitative Research
(Job Code: SA-QR)
A Master's degree in a quantitative discipline (Mathematics, Engineering and Statistics) from a top tier institution and some programming experience in C, C++ or VB. The role will require working closely with Quant analysts in fixed income securities valuation and portfolio risk modeling.

Analyst / Sr. Analyst - Data Modeling
(Job Code: SA-DMA)
Masters (PhD is an added advantage) in Economics/ Finance/ Marketing/ Industrial Engineering/ Marketing/ Operations Research/ Statistics/ Bio-statistics or in any other quantitative discipline. The candidate should have a flair for quantitative analysis and 1-5 years industry experience in areas like Customer Relationship Management, Campaign Management, Marketing & Market Research.

Sr. Analyst / Specialist - Consulting and Decision Support
(Job Code: SA-BIMS)
An MBA degree or equivalent with minimum 3 years of consulting experience with large, established consulting firms.

If you have the passion for numbers and want to join a core team that will play an integral role in Fidelity's global growth, email your resume to *careersindia@fidelity.com*

Please mention the job code in the subject line.

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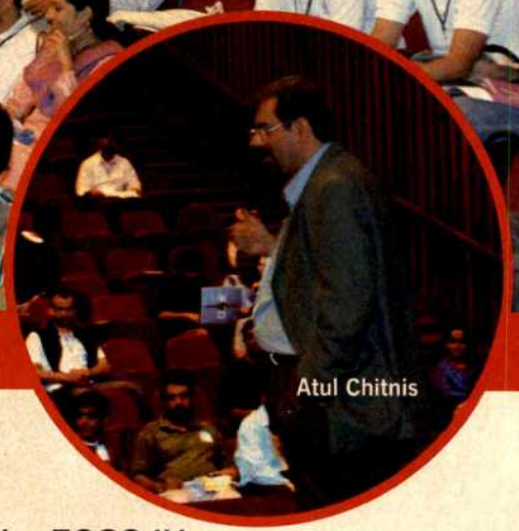
An IMS Initiative

Tech jamboree: India has the largest community of open source developers but large businesses are still wary of free software



Atul Chitnis

Open for Business

Open source advocates gathered once again under FOSS.IN, but they had trouble connecting with end-users. RAHUL SACHITANAND

24 November, 10.30 a.m.
National Science Seminar Complex, Bangalore

IT IS ALREADY 30 MINUTES PAST the scheduled start, but there are few signs of any activity on stage for the sixth edition of India's largest free and open source symposium, FOSS.IN. While the gates were opened at 8 a.m., veterans of the event seem to have read the situation perfectly, sauntering in 10 minutes before the scheduled start and forming a winding queue that extends all the way to the busy C.V. Raman Road outside. Inside the 950-seater auditorium, delegates are just beginning to find their places and firing up their laptops to take notes on the fly and tweak their presentations in the last minute. Six years after the event was first held in Bangalore, little seems to have changed about the look-and-feel of FOSS.IN. Attendees are almost exclusively open source and free software code-jocks and unlike dozens of other academic and business conferences hosted at this centre, there's an air of informality around this one.

"We are for, of and by the open source community," Atul Chitnis, the man behind this event and the founder of Exocore Consulting, a Bangalore-based open source solutions vendor, says in his opening remarks, when the event finally gets rolling, nearly an hour behind schedule. As always, there are sharp jibes at enemy #1 Microsoft (revolving around their platforms and software such as .Net and Windows), but despite the growth of open source in India (with even state administrations such as Kerala plumping for it), there are few signs that the scope of this event has changed. The keynote address, this time around by Suparna Bhattacharya, from IBM India, is packed with some 30 slides of tech jargon and has end-users and the plain curious fleeing for the exits. "Keynotes need to be more broad based and thematic," one such attendee tells this writer as he seeks

Enemy #1: It's Microsoft for them

PHOTOGRAPHS BY DEEPAK G. PAWAR

Watch India's finest CFOs

take the global centre stage.

From L to R: Mr. Senthil Chengalvarayan (CNBC-TV18), Mr. Keki Mistry (HDFC Ltd.), Mr. Sumant Sinha (AV Birla), Mr. B. R. Jaju (Crompton Greaves), Mr. Akhil Gupta (Bharti Airtel Ltd.), His Highnes Sheikh Saud Bin Saqr Al Qasimi (Crown Prince), Her Excellency Sheikha Lubna Al Qasimi (Minister of Economy & Planning), Ms. Maryam Al Murshedi (Assistant Director of Ras Al Khaimah Free Trad Zone), Mr. Praveen Kadle (Tata Motors), His Highness Sheikh Faisal Bin Saqr Al Qasimi (Chairman of Ras Al Khaimah Free Trade Zone), Mr. Ravi Nedungadi (United Breweries), Mr. T. V. Mohandas P (Infosys Technologies Ltd.), Mr. Oussama El Omari (CEO and Director General of RAK Free Trade Zone), Mr. S. Radhakrishnan (Cipla), Mr. Dileep Choksi (Deloitte Haskins and Sell)

In India's first business award to go international, the nation's most respected CFOs were felicitated for their invaluable contribution to the nation's economy. Watch the telecast of the CNBC-TV18 & RAK Free Trade Zone CFO Awards 2006, where top Indian CFOs were honoured for giving India a new stature in the world economic order.

16th Dec. Sat. 4:30 pm & 17th Dec. Sun 5:30 pm (R)

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refuge at the snacks stall.

Chitnis argues that "having a recognised and respected Indian developer (Suparna Bhattacharya) doing the opening keynote to a standing ovation, and the subsequent positive reactions, was a massive achievement". He claims that as a result of this re-orientation, many new projects have been started and more people are showing interest in the free software movement. The interest from a techie's standpoint is evident from the line of white tent just behind the main auditorium, where people set up on-the-spot discussion boards and projects.

General users of Linux and other open source offerings are, however, clearly aggrieved with the schedule offering attendees a technology-intensive programme, filled with sessions on Linux and Art of Minimalist Development by IBM's Bhattacharya, Using Gentoo Portage to Build a Sandboxed Application Stack and complete geek-speak talks on The TFRC Tunnel Protocol—an XFRM-based tunnel driver for Linux 2.6. "There are numerous other events around India all year round (for example, Freedel in Delhi or Gnunify in Pune) and user groups that already cater to newcomers and advocacy," contends Chitnis.

Free world: Die-hard open source believers schmooze

This engineering student has put an operating system on a pen drive

Anil Gulecha, a student at the JSS Academy

"India offers us the largest communities of open-source proficient techies"

Gajanana Hegde, VP, SpikeSource

In between this blizzard of technology talks, there are actually some more generic presentations on bridging the digital divide using free software and more expectedly a vitriolic attack on the existing model by Christoff Wittig, founder and CEO of db4 objects, who attacks the current model for "stifling innovation" and arguing that well-oiled open source projects can actually earn money. Over the last few months, state governments, most notably Kerala, have made a very public pitch for open source software products, at the expense of Microsoft.

The intense technology focus, however, takes its toll on the total number of participants (down to 2,000 compared to over 3,000 a year ago) as well as the range of participants for this event. "This was intentional—we refocussed the event to increase both the quality of talks and the interaction between people at the event," says Chitnis. The event is an ideal platform for some companies such as Sun Microsystems and SpikeSource to advertise their products. "We believe that India offers us one of the largest communities of open-source proficient techies globally," says SpikeSource's Vice President Gajanana Hegde. Others such as Anil Gulecha, a third year engineering student at the JSS Academy, Bangalore, also use this opportunity to show off the BeleniX operating system on a thumb drive. "You can now download the entire BeleniX OS onto your thumb drive and use it anywhere," says Gulecha about his first open source project.

Rather than target large companies with Linux and other open source software (and application based on it), SpikeSource's Hegde says that small businesses are adopting Linux and Linux-based solutions because they no longer have to pay for the hefty licence fee Microsoft demands. "This is a good carrot for them to save some costs... When you are 50-100 people, you don't want to spend your whole budget just on IT," he argues. Aside from being unable to afford expensive licence fees, using Linux and other open source technologies means that there's a much larger pool of technical help at hand if a bug had to be fixed. "Most of these companies can't afford to spend on large teams for support and maintenance, but open source communities can be approached anywhere to fix a bug," says Hegde.

While large corporates are already locked into dominant closed offerings from the likes of Microsoft, open source votaries argue that the booming 2.5 lakh strong SMB market may just hold the key to the Indian market. "The small and medium business (SMB) segment registered a strong double-digit growth in PC shipments," says Piyush Pushkal, Assistant Manager, PC Research IDC India.

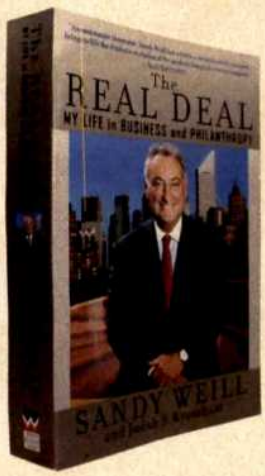
While Bangalore became a beehive of open source activity for three days in late October, it remains to be seen if Chitnis & Co. can persuade computer users to dump Microsoft for open source. ■

Banking Legend

The story of how Sandy Weill rose from nothing to create the world's biggest bank. R. SRIDHARAN

THE REAL DEAL

By Sandy Weill and Judah S Kraushaar
Warner Business Books
Pp: 528
Price: Rs 680

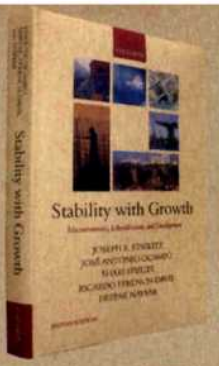


WITH $1.5 TRILLION IN ASSETS, CITIGROUP is double the size of Indian economy. Yet, the man who built Citi—at least, as we now know it—struck out on his own only in 1960 with some $30,000 in borrowed capital. That's not how most entrepreneurial stories turn out. But, then, Sandy Weill is no ordinary entrepreneur. For a man who grew up as a shy kid and slow learner, Weill's act remains unsurpassed in the global banking industry. *The Real Deal* is the story of how Weill, inconceivably, came to lord over the biggest bank in the world.

Written in collaboration with—no, not a *BusinessWeek* or *Fortune* reporter, but—a former Merrill Lynch analyst, the book is gripping simply because of its subject. While it clearly presents Weill's life and events as the man himself saw them, the memoir is frank and direct to a large extent. Weill makes no bones about his differences with John Reed, the man behind Citicorp, with which Weill merged his own Travelers Group to create Citigroup. "Many may perceive that I had it in for John from day one of the merger, but that notion is absolutely false. It was only after seeing John's shockingly detached management style that I lost confidence in our partnership," writes Weill.

Interestingly enough, two Indians feature prominently in Weill's memoir. One is Ram Charan and the other is Victor Menezes. The former, a management consultant (or "a globe trotting corporate shrink of sorts" as Weill chooses to describe him), is brought in to sort out differences between Weill and Reed, and it's a task he performs well. It's at Charan's behest that Reed accepts the "division of labour" as suggested by Weill—an arrangement that moves Reed to e-Citi and leaves Weill in charge of Citi's businesses and financial functions. But it's the bit about Menezes that should surprise a lot of people in this country. Not only was Menezes a protégé of Reed, but he was also seen as a potential CEO at Citigroup. That, however, was not to be. Menezes, says Weill, was responsible for the $2 billion in losses that Citigroup bore following the currency meltdown in Argentina in 2001 and 2002. "The events," writes Weill, "revealed important flaws in Citigroup's management model. I gradually realised to my disappointment that Victor Menezes stood at the center of our issues." As it turns out, Menezes got the rap for downplaying the risks that Citi ran at the time of Argentina's political and economic turmoil.

It's possible that the people who feature in Weill's memoir don't see things quite the way he does, but *The Real Deal* is as honest and self-critical as any man writing about himself can be. In other words, it's one of those autobiographies you don't want to miss reading.



STABILITY WITH GROWTH

By Joseph E Stiglitz et al
Oxford University Press
Pp: 339
Price: Rs 695

THE HARDEST PART OF MANAGING any economy is to ensure growth while maintaining stability. The concerns range from how much foreign capital to allow into a country's stock markets to how much fiscal deficit a government should allow in pursuit of growth to the perennial tussle between inflation and interest rates. For developing countries, which must also balance the economic imperatives with political compulsions, the challenge of doing so is harder still. What compounds the problem for developing countries is the so-called 'Washington consensus'—the policies that the World Bank and the International Monetary Fund tend to impose on them. According to the Washington consensus, low inflation, fiscal discipline, privatisation and liberalisation need to be the mantras of developing countries.

Of course, not all economists or policy makers even in developed countries agree with the Washington consensus. *Stability with Growth*, which represents the dissenters, argues that "stabilization policy has important consequences for long-term growth and has often been implemented with adverse consequences". Making the case is a bunch of heavy-weight economists including Joseph Stiglitz and Deepak Nayyar. Their basic proposition is that developed and developing countries have different macroeconomic objectives and structures. Therefore, the focus should be on real stability and not merely price stability. It's an argument that will find many takers in developing countries.

Back of the book

P FOR PERFORMANCE | PRINTED CIRCUIT

P for Performance

Ever driven a Porsche? If you haven't, and even if you have, let *BT*'s KUSHAN MITRA describe the experience for you.

This one's taken: Sebastian definitely knew how to handle these beauties

(fairly fast) towards high speed, a 911 is insane. One second you're still, five seconds later you've crossed 120 KMPH and the digital speedo is blurring.

Then you hit the brakes.

Sheer acceleration is one thing. Stopping from a tad under 200 KMPH hour to a dead-stop in four seconds flat—in barely 50 metres, and hear this, with your hands off, yes, off, the steering wheel but maintaining a straight line—is an experience to remember. Now, this reporter has floored lots of cars and gone very fast and driven several thousand kilometres in test-drive vehicles, but nothing, nothing has ever come close to matching this.

Okay, the dirty little secret over here is that Porsche is not an absolutely insane company. To make sure that journalists don't completely lose the plot, it made sure that a strict German instructor from its training centre sat next to us while driving. And to make sure that egos don't bloat up to unimaginable sizes, before the journalists were allowed to grip the steering wheel, they got a round of the circuit the way "it should be done", or rather, in my case, a "let's see you hold on to your breakfast" round.

Our instructor Sebastian, a rally driver by profession, just let his driving do the talking, and the unused Amby Valley airstrip we drove on had been nicely made into a little 2-km long circuit with a few short straights and some sharp, twisty chicanes.

We managed to sink our grubby commoner hands around two models of the 911 (sadly, not the 911 Turbo) but before that, Porsche wanted to showcase its other vehicles as well. So, we got a round in the Cayenne Sports-Utility Vehicle and the Cayman, a hard-top version of the Boxster roadster over two quite different challenges.

The Cayenne, Porsche's best-selling car in India, according to Ashish Chordia, Chief Executive, Shreyans Motors, Porsche's distributor in the country,

PORSCHE CAYENNE TURBO

PRICE: Rs 1 Crore
ENGINE: 4511 cc, 450 hp
TOP SPEED: N.A.
KERB WEIGHT: 2,355 kg
0-100 kmph: N.A.
The Cayenne will be updated in early 2007

is quite a capable SUV, but in this country, like in many other places, most owners never get a chance to highlight this vehicle's tremendous off-road capabilities.

One says tremendous because the car can really do things that few other vehicles can and not just because of the turbocharged 4.5 litre, 450 horsepower engine. The car managed a 25-degree side incline as if it was child's play and even more impressive was its "Hill Holder" function, wherein if one takes one's foot off the pedal on an incline, the car just stays put—and the car was on a 30-degree, albeit rather small, hillock. But, the reason this car sells so well, is mainly because of its massive road-clearance—up to 270 mm compared to the road-hugging profiles of the rest of the Porsche range. And when confronted with potholes—the Porsche team had kindly dug a few bomb craters beforehand—the Cayenne thundered through as if it were a baby elephant—come to think of it, a rather oversized baby elephant.

Once the off-road section was dealt with, the instructors allowed us behind the wheel to have a little go on the straight of the airstrip. When you open this monster up, with a huge roar and a slight shudder as the turbo kicks in, this three-ton leviathan moves like its smaller siblings. Mind you, Porsche does not insure you for the damage that driving one of these will do to your petrol bill.

But, if the Cayenne impresses with its off-road handling, the Cayman does so with its on-road handling. The Porsche team had set up a short 250-metre-long slalom (zig-zag to you non-autolytes) course. Now, moving a car on a slalom course is never easy; such a course puts tremendous pressure on the suspension and the body. The Cayman handled this immaculately, while drivers knotted their arms twisting the wheel from side to side. Sebastian took the drivers out on a spin down the circuit before we got a chance to put the 295 horsepower Cayman S through its paces. Let's just put it like this, Sebastian finished his run in under 25 seconds; the fastest this writer could manage was a shade over 32 seconds. The fastest person in the entire troupe of journalists could manage only 30 seconds flat. But, it wasn't just about the timed runs, which this reporter wasn't really great at; the slalom run is great, unadulterated fun for any petrol-head.

PORSCHE BOXSTER S
PRICE: Starts from Rs 60 lakh
ENGINE: 3179 cc, 280 hp
KERB WEIGHT: 1,385 kg
TOP SPEED: approx. 270 kmph
0-100 kmph: 5.4 secs

The event, which Porsche had organised as part of a roadshow for customers and potential customers, was an unmitigated success. Of course, as Mohamed Rehman, Managing Director, Porsche Centre India, admitted, the company didn't expect to sell a lot of cars because of this, "but when a person wants to buy a performance vehicle, hopefully, he will think of Porsche".

Increased sales of luxury and sportscars are usually indicative of a booming economy and as the Indian economy is on high heat, sales can only improve and events like this can only help. But, no matter how hot the economy is, it is unlikely that reporters or editors in this country will be keeping any of these on their driveways anytime in the near, or for that matter distant future. The cheapest car in the Porsche line-up is the open-top Boxster S that sells for a cool Rs 60 lakh; the top-end 911 Turbo comes in at an even more eye-popping Rs 1.5 crore, but that doesn't mean that the 1:18 scale model of the Cayenne won't get a prominent place on the mantelpiece! The real one costs a crore by the way!

However, if you do want to buy one of these, and if you have a crore lying around to spare, you can visit the Porsche showrooms:
In Delhi @ Porsche Centre India, A-31 Mohan Co-operative Industrial Area, Mathura Road.
In Mumbai @ Shreyans Motors, 13, N.S Patkar Marg. ■

Share Your Life!

A variety of free online tools allows you to share pictures and videos with friends and family.

THE INTERNET IS A BIG, AND sometimes scary, place, but some of the things that you can do online are fascinating. Many of you reading this article have camera-enabled phones; some of you might even have digital cameras or, better still, digital camcorders. The internet offers you several ways to showcase your creativity. The easiest way for you to do this is to use a plain vanilla service such as Yahoo's Flickr (www.flickr.com) or HP's Snapfish (www.snapfish.com). Both are very simple services but offer limited bandwidth to users. Flickr, which is the more popular service, and in my opinion, easier to use, has an upper limit of 200 pictures you can upload using the free service. But, you can directly post them on to a blog if you have one and there are several other tricks you can pull off with Flickr.

However, though Flickr is good, there is also Picasa (www.picasa.com) from Google which is an absolutely fantastic bit of software (for free). Picasa began as a free photo editor with the ability to mildly tweak your images, but it has become a lot more. Flickr processes images automatically, whether you want to or not and Snapfish's software, though good, isn't as easy to use as Picasa. After you've tweaked your images, you can, if you have a Google account, press a button and upload them on to Picasa's web album.

Today's mobile phones, too, can do a lot more. The Nokia N93 that we used is a tremendous visual device (see *The Hardware*). So, we ended up taking quite a few videos; now there was the little bit about sharing them. You could, if you wanted the data charges to shoot through the roof, use Nokia's fairly decent M-blog (www.nokiamblog.in) application to host both images and video, but for the latter, one would recommend either YouTube (www.youtube.com) or Google Video (video.google.com). Now, while everybody raves about YouTube, the fact is that it really isn't that easy to surf about. I prefer Google Video, which is better indexed. However, YouTube's upload procedure is quite simple and it does accept a multitude of video formats, including 3GP, the standard video compression format used by most cell phones.

Interestingly, there are a lot of YouTube-like sites being started in India; I noticed MeraVideo (www.meravideo.com) which really needs to sanitise its content slightly. See the images and videos from the N93 at printedcircuit.blogspot.com, and there is a lot more coming there.

KUSHAN MITRA

THE HARDWARE

THE NOKIA N93 IS POSSIBLY ONE OF THE BULKIEST PHONES OUT there. It looks like a brick, feels like a brick, is occasionally tedious to operate, but, my god, it can shoot great pictures and video. There are a few things you wish Nokia had done better—like making it a bit easier to use, the revised key format does take some getting used to and the outside screen could have been larger. However, the quality of images through the Carl Zeiss lens and its inbuilt optical zoom (which explains the bulk of the camera) is very good, more than sufficient for print quality!

There is no **Treadmill** in this issue as Muscles Mani is on leave

SAPTARSHI BISWAS

The Negotiator

THE BIGGEST MISTAKE INDIAN TRADE OFFICIALS CAN make with US Deputy Trade Representative is to simply go by his name. For, **KARAN BHATIA**, 34, is Indian only in name. Like bureaucrats in India are discovering, the Washington, D.C.-born trade rep is as aggressive as any American. "India's bilateral trade with the US is more than 20 per cent of its total trade and this trend is rising, but if high regulations persist in India, the relationship might see a negative change," warns the Princeton University, London School of Economics, and Columbia University-educated Bhatia. Ever since he was appointed as the Deputy Trade Rep last year, Bhatia has been doing the rounds of Delhi, meeting heavyweights like Montek Singh Ahluwalia and Kamal Nath."I am satisfied with the pace of my ongoing talks, but a lot needs to be done on the regulations side," he says, possibly not for the last time.

Taking the Next Call

FOR **SANDIP DAS**, THE NEXT CALL HAS JUST COME. THE Deputy Managing Director of Hutchison Essar is set to take up his new assignment as CEO of Malaysia's largest telecommunications company, Maxis. Das, 48, has been a Hutchison-Essar veteran of 13 years, and in fact was Hutch's first employee in India. Das, an FMS alumnus, will join Maxis in the middle of January next year and describes his stint with Hutch as one of "pure, unadulterated joy." "(Maxis) is a natural next step in my career and I am excited about stretching my own frontiers," Das told *BT*. Maxis, which has a subscriber base of more than seven million in Malaysia, has a presence in Indonesia and India as well. Given his track record at Hutch-Essar, this is one challenge Das must be looking forward to.

UMESH GOSWAMI

SHAMIK BANERJEE

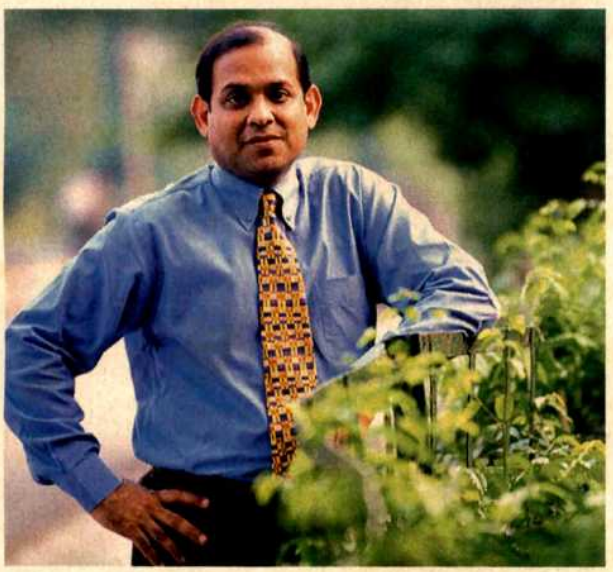
Scoring a Point

WHEN THE SUPER-RICH GO TO WATCH FOOTBALL, THEY USUALLY SIT IN THE OWNER'S BOX. OR SO figured Ispat Industries' **PRAMOD MITTAL**, who is in talks to acquire Bulgarian club, CSKA Sofia. The acquisition is part of the 50-year-old Mittal's growing links with the country. He recently acquired a majority stake in Bulgarian steel producer Kremikovtzi, and has asked the country's former Vice-Premier Alexandar Tomov to help snag the deal. CSKA, not incidentally, is the most successful football club in Bulgaria, with 30 national titles. However, Tomov told reporters that the "new owners" want not just domestic success but European glory. So what if Mittal's elder brother, Laxmi Niwas, the richest Indian in the world, is the owner of Europe's and the world's biggest steel company Arcelor-Mittal? The younger Mittal seems to have found a totally unexpected route to Europe's heart.

Men in Blue(s)

THIRTY YEARS AGO, IT WAS **PIYUSH PANDEY**'S fond hope to make it to the Indian cricket team. But while his buddy from St. Stephen's College (Arun Lal) made it, Pandey, 50, had to look for other ways to make a living. Today, he is the Executive Chairman of Ogilvy & Mather India, but is still a cricket buff. So, when the Board of Cricket Control in India (BCCI) invited him to give a pep-talk to the Indian cricket team getting thrashed in South Africa, Pandey was overjoyed, but unable to because of his schedule. "I wanted to go talk to them, because these guys are good, but they seem to have lost all motivation," moans Pandey. Greg Chappell, watch out.

UMESH GOSWAMI



A Boost for Sure

IT WON'T BE PERSONAL GROOMING, BUT IT WILL STILL BE about grooming for **ZUBAIR AHMED**. The former Gillette India head honcho has moved to GlaxoSmithKline Consumer Healthcare in India to take over from top man Nick Massey, who is moving back to the UK. Although Ahmed's new title says Vice President & General Manager, he will be the Country Manager. Why did Ahmed bail out of Gillette? After P&G acquired Gillette last year, Ahmed's focus was on helping integrate the two businesses. Job done, he was offered a new assignment elsewhere. But apparently Ahmed wanted to stay on in India. GSKCH, best-known for its Horlicks and Boost brands, made a break with the past too by tapping an executive from outside its system. Ahmed couldn't be reached, but a GSKCH release said it was "business as usual".

To Almighty His Due

IF NOT THE GOD, THE TRUSTEES OF KERALA'S FAMOUS GURUVAYOOR TEMPLE MUST BE RUING THE FACT that **PUTHAN NADUVAKKAT CHENTHAMARAKSHA MENON** isn't any heavier than his 70 kilos. Recently, the Chairman of Bangalore-based Sobha Developers, one of the top builders in the city, got himself weighed in gold and donated the matching 70 kilos of Swiss gold bars, worth Rs 6.80 crore, to the temple. What prompted the 58-year-old Menon to make the single-largest donation to Lord Krishna's best-known temporal abode in South? The Rs 570 crore that Sobha raised from an IPO at a premium. Menon, who first started his operations in Bangalore in 1994, chose not to comment on his donation saying, through a spokesperson, that this was a 'personal matter relating to faith'. Sobha investors needn't feel bad about the donation. If not dividends, they will surely receive divine blessings.

DEEPAK G. PAWAR

CONTRIBUTED BY PALLAVI SRIVASTAVA, KRISHNA GOPALAN, KUSHAN MITRA AND VENKATESHA BABU

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SOUMIK KAR

NAME: B. RAMALINGA RAJU
AGE: 51
DESIGNATION: Founder-chairman
COMPANY: Satyam Computers

Focussed on Growth

FOR BHIMAVARAM RAMALINGA RAJU BYRRAJU, FOUNDER-CHAIRMAN OF SATYAM COMPUTER Services, 2006 has been a good year. Satyam has been experiencing good growth—the 11 per cent sequential growth it reported in the second quarter of 2006-07 is its best in the last five years; it added more than 4,000 employees during this quarter to take its head-count to nearly 35,000; and its topline is expected to touch Rs 6,452 crore by the end of this financial year. On the bourses, Satyam's stock has given returns of more than 38 per cent in the last 12 months. For Raju personally, his appointment in April as Chairman of National Association of Software and Service Companies (NASSCOM) came as a long overdue recognition of his pioneering contribution to the growth of the Indian IT industry and his achievement in building Satyam into the fourth-largest IT services company in India.

Hailing from an agricultural family, Raju forayed into textiles and construction when he returned to India in 1977 after completing his MBA from Ohio University in the US, before realising the potential of the IT services sector. Since then, Satyam's success has been a well-chronicled story. Result: Raju, who, along with his co-promoters, holds about 14 per cent in the company, routinely figures in the lists of the richest Indians. His management style: the soft spoken Raju believes in empowering his team and then leaves it to individual executives to deliver on stiff targets.

But it hasn't been smooth sailing all the way. Satyam growth, though impressive, has lagged the Big Three of the Indian IT sector—TCS, Infosys Technologies and Wipro. Six years back, it was approximately the same size as Infosys; today the latter is almost double its size.

There are now rumours—which he has repeatedly denied—that Raju wants to exit Satyam. In the first week of December, there was speculation that IBM had conducted a due diligence of Satyam. Both companies denied the reports. With a market cap in excess of Rs 30,000 crore, any move to acquire even a small stake will be an expensive proposition. Raju, for his part, shrugs off such market gossip and is focussing on accelerating Satyam's growth even as he plays the elder statesman role at NASSCOM. ■

VENKATESHA BABU

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